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Next-Generation Perspectives on Taiwan

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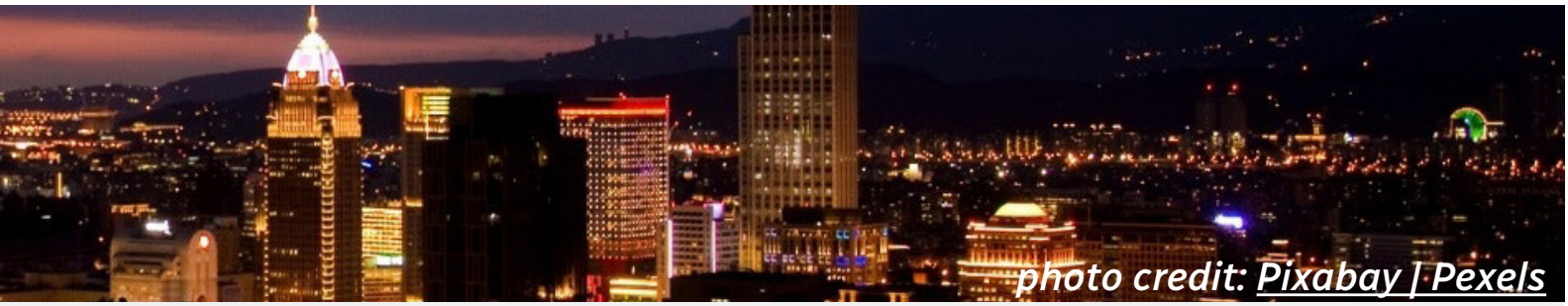
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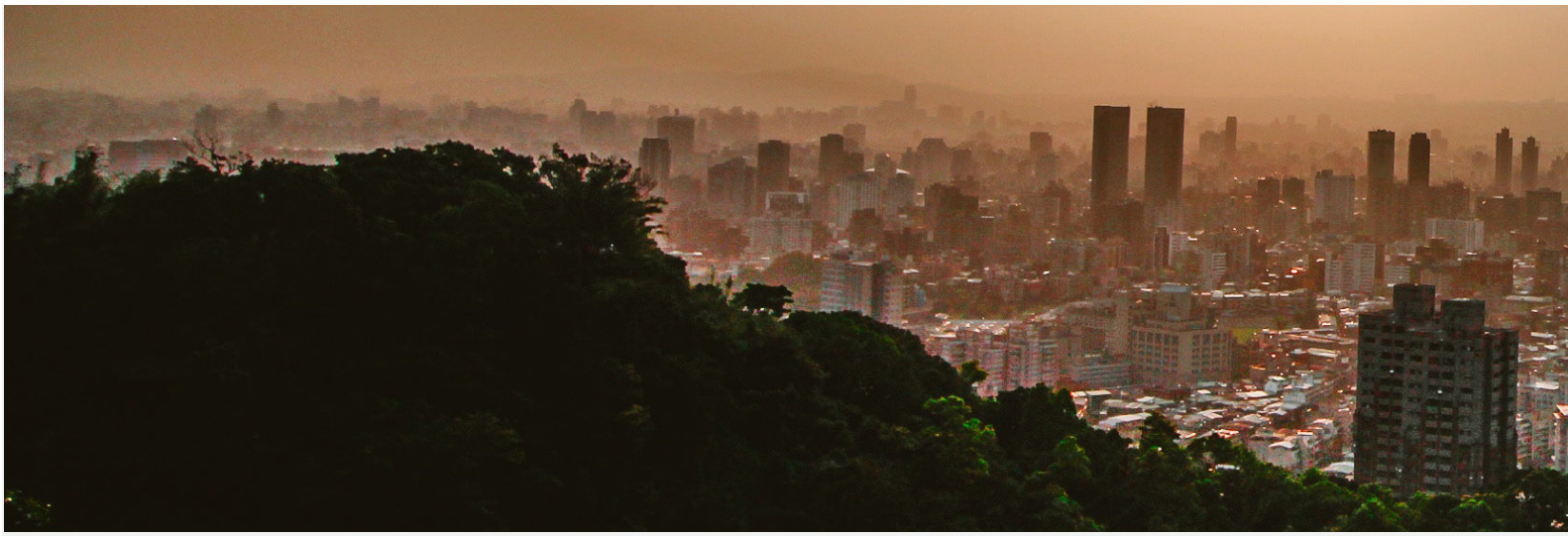

Next-Generation Perspectives on Taiwan

Introduction by Bonnie S. Glaser

Transatlantic attention to Taiwan has surged in recent years for several reasons. First, Russia's illegal invasion of Ukraine in February 2022 has led to increased concern in the United States and Europe that Beijing's growing military capabilities and declining confidence in its ability to achieve peaceful reunification will soon lead the People's Republic of China (PRC) to attempt a takeover of Taiwan by force. The cost of such a war would carry a price tag of around $10 trillion, equal to about 10% of global GDP, according to Bloomberg Economics, far higher than the economic impact of the 2008 global financial crisis, the COVID-19 pandemic, and the war in Ukraine. The devastating impact of a Taiwan Strait conflict has provided a wake-up call for leaders in Europe who now echo the Biden administration's warnings to PRC leader Xi Jinping to refrain from using violence to change the status quo in the Taiwan Strait. In addition, Taiwan is now a regular agenda item in the US-EU Consultations on the Indo-Pacific and the US-EU Dialogue on China.

Second, intensifying US-China strategic competition has increasingly focused on technology with chips at the center. Taiwan produces more than 60% of the world's semiconductors and more than 90% of the most advanced ones. A single company, Taiwan Semiconductor Manufacturing Corporation (TSMC), manufactures most of those chips. Recognition of Taiwan's dominant role in the semiconductor supply chain has provided another reason to bolster deterrence. It has also sparked interest in "friendshoring" and "onshoring" semiconductor manufacturing. TSMC plans to start production at its first fab in Arizona in 2025 and will break ground on another in Dresden at the end of 2024 with an estimated completion date of 2027. Recognizing the rising geopolitical risks and their own strategic dependencies, the United States and the EU have made building resilient supply chains a priority, especially in semiconductors. In its 2021 Indo-Pacific Strategy, Brussels explicitly committed the EU to engaging with Taiwan in creating resilient supply chains.

Third, rising concern in the United States and Europe about election interference and disinformation have sparked interest in learning from Taiwan's experience in combatting such threats. In the run-up to the January 13, 2024, presidential and legislative elections, PRC attempts to interfere in Taiwan's politics surged

to unprecedented levels through economic coercion, direct political meddling, displays of military force, and manipulation of social media. As the United States and many European countries prepare for their own national elections this year, they are engaging with experts from Taiwan to better understand PRC tactics and the tools that Taiwan successfully employed to counter PRC interference.

Fourth, the United States and Europe increasingly recognize that Taiwan's vibrant and successful democracy is under threat from an authoritarian regime. Taiwan has received high marks for protecting political rights and holding free and fair elections. Taiwan's democratic achievements are even more impressive when set against the backdrop of a deterioration in freedom worldwide. Like other industrialized democracies, Taiwan faces a multitude of challenges that are especially difficult to address in the face of PRC efforts that prevent Taiwan's government and its people from interacting with the world. Taiwan's exclusion from international organizations also hampers the world's ability to develop effective solutions to myriad problems.

The Taiwan-US Policy Program (TUPP) was launched in 2017 to encourage young professionals from the United States to include Taiwan in their research and help Taipei expand its global networks. In 2022, TUPP was expanded to include young professionals from Europe in support of GMF's mission of promoting transatlantic cooperation. TUPP enables future leaders to acquire a deeper understanding of Taiwan and its relations with the United States through meetings with officials and experts in Washington, DC, followed by a visit to Taiwan to gain first-hand exposure to its politics, culture, and history. Experiencing Taiwan influences how these future leaders approach their work and their writing. It impacts their worldview by imbuing them with an appreciation for Taiwan's history and commitment to the principles of democracy and human rights that undergird the existing international order. It also reinforces the importance of maintaining robust bilateral relations and strengthening international support for maintaining peace and stability in the Taiwan Strait.

The 2024 TUPP cohort traveled to Taiwan in February for an intense week of meetings and activities. Each participant gained insights into Taiwan and its role in their respective fields. This year's delegation comprised five Americans and five Europeans. Over time, TUPP seeks to create a body of global experts with firsthand knowledge of Taiwan who support sustaining and expanding its international ties. I am grateful to the Henry Luce Foundation, the Global

Taiwan Institute, and the Taiwan Foundation for Democracy for their support of this goal.

The contributions here, written by the entire 2024 TUPP delegation, underscore the importance of deeper study and understanding of Taiwan. I sincerely hope that they stimulate continued transatlantic and global interest in Taiwan and its future.

Bonnie Glaser is managing director of the Indo-Pacific Program at the German Marshall Fund of the United States.

Managing Expectations

How To Make Taiwan–Central and Eastern Europe Relations More Sustainable

By Alicja Bachulska

Although the CEE region has become the engine of growth for EU-Taiwan relations, expectations should be kept in check to avoid "Taiwan fatigue" and maintain a stable level of interactions.

In recent years, the Central and Eastern Europe (CEE) region has come to the forefront of international debate on the future of EU-Taiwan relations. Although it is both geographically large and politically diverse, due to changes in its strategic calculus regarding growing revisionism and the war in Ukraine, many states in the region have taken a strategic turn away from cooperation with Beijing. Instead, Taipei appears to them as an attractive alternative—an example of democratic and economic resilience, continuously developing in the shadow of its authoritarian neighbor across the Taiwan Strait.

Just a decade earlier, however, the CEE region was regarded as a "Trojan horse" aimed at undercutting European unity vis-à-vis Beijing.[1] Back then, most CEE states joined the infamous 16+1 (now 14+1) platform for cooperation with China. Many also endorsed Beijing's Belt and Road Initiative (BRI) and signed numerous bilateral agreements with China. In doing so, CEE countries were catching up with their Western European counterparts, which had long before developed economic ties with Beijing.

Political expectations were high, yet over the years they did not translate into tangible results such as large-scale investments or a more balanced trade structure.

Simultaneously, larger geopolitical shifts were occurring, with Donald Trump's policies accelerating Sino-American rivalry and bringing it to a new level. The COVID-19 pandemic and close China-Russia cooperation in the context of the war in Ukraine have also rung alarm bells across the region, creating a sense that Beijing's strategic outlook—for example its criticism of NATO—is fundamentally at odds with the interests of many CEE states. These are the reasons for the region's "China fatigue".

Against the backdrop of these changes, some CEE states came to see Taipei as a much more reliable partner due to its democratic political system, high-tech advantages, and history of resilience in the face of Beijing's coercion. Although strengthening cooperation with Taiwan is a positive trend, it should be assessed realistically. To make their cooperation more sustainable over the long run and capitalize on synergies to secure benefits for both partners, Taiwan and CEE countries must understand each other's motivations, needs, and perspectives.

Central and Eastern Europe's Thinking About Taiwan:Expectations and Trends

There are at least four dimensions defining the way many in the region think of Taiwan as a partner:

First, Putin's full-scale invasion of Ukraine and China's tacit approval of Russian aggression has changed the cost-benefit calculus for many decision-makers in CEE. Although the realization that China-Russia cooperation affects the situation on the battlefield in Ukraine does not resonate equally strongly across all capitals, Beijing's position towards the war in Ukraine has negatively affected China's image throughout the region. China is now seen as an enabler of the war in Ukraine, and cooperation with Taiwan is seen as beneficial for knowledge-sharing and solidarity-building against the backdrop of Russian and Chinese revisionism.

Second, Taiwan is increasingly seen as an attractive economic partner, especially in the high-tech domain. Cutting-edge Taiwanese companies are perceived as desirable partners and potential investors in the region. Mainstream debates around Taiwan in the region often rely on an exaggerated perception of the investment potential, however, and expectations for large-scale investments by tech giants such as Taiwan Semiconductor Manufacturing Company (TSMC) are unlikely to be met.

Third, since CEE countries have been the target of Russian disinformation for decades, they are interested in knowledge-sharing with Taiwan on cooperation and converging interests between China and Russia. However, there is also a distorted perception in the CEE region that Taiwan is fully resilient in this domain. This perception results in high expectations when it comes to finding effective counters to hybrid warfare threats.

Finally, domestic dynamics should not be overlooked. For example, Lithuanian elections may affect the strategic calculus in Vilnius, where Beijing's economic coercion has soured attitudes toward relations with China and prompted greater interest in developing ties with Taiwan. In early March 2024, Lithuania's counterintelligence chief stated that Chinese interference in this year's presidential and parliamentary elections "definitely cannot be ruled out".[2]

Post-election, Slovakia has already reversed its friendly posture toward Taiwan and has adopted pro-Russian policies similar to those of Hungary. Robert Fico, Slovakia's new prime minister, has openly supported Beijing's so-called "peace plan" for Ukraine, attracting support from the radical far right in the country.[3] The Slovak foreign ministry has confirmed that Fico was planning to visit China in June 2024.[4] These dynamics could prove corrosive to the country's cooperation with Taiwan, as populist forces gain momentum in many CEE states.

Taiwan Looks at Central and Eastern Europe

From Taipei's perspective, the solidarity displayed by CEE states is appreciated, but there are angles that could be further explored to increase the positive impact of closer Taiwan-CEE relations for the broader international environment in the areas of international law, economic security, and democratic resilience.

Taiwan could benefit from more CEE engagement in voicing concerns about China's distortion of UN Resolution 2758, which in 1971 ousted the Republic of China from the UN and gave its seat to the People's Republic of China. Beijing's efforts to reinterpret the document based on its "One China" principle spread the fallacy that the passage of the resolution meant that all UN member states accepted that Taiwan is

a part of China.[5] This revisionist strategy, which is rarely brought up in CEE debates, could easily be incorporated into CEE states' communication strategies and narratives about Beijing.

When it comes to the economy and trade, cooperation with like-minded partners is high on Taipei's agenda, but expectations in some CEE states should be scaled down and reframed. For example, less focus on competition between local actors to attract big tech investment would be productive, since the European single market might benefit more from the creation of a broader ecosystem than from hoping for more semiconductor fabs, which is unrealistic. Early signs of such an approach have already materialized, with Taiwanese companies planning to establish a base in Czechia to support the construction and operation of the fab in Dresden. In February, J.W. Kuo, the first chairman of Taiwan Eastbound Alliance (TeaLa) suggested setting up an industrial zone for semiconductors.[6] In Poland, media coverage suggests that Warsaw is trying to attract Taiwanese high-tech investment to the Strategic Investment Park close to the city of Stalowa Wola, with potential support for the European Chips Act framework.[7] In September 2022, the Taiwanese-Polish working group on semiconductors was established, creating a new platform for building cooperation and sharing expertise—the result of previous bilateral exchanges in the field.[8]

From the perspective of Taiwan, where a robust and unique ecosystem of companies that cater to the largest players already exists, more targeted cooperation in co-creating a smaller ecosystem of this kind in CEE could prove beneficial. Not every CEE state needs a semiconductor fab—this is both economically unrealistic and politically counterproductive. Regional players should go beyond the mainstream narrative that large-scale investments are the ultimate goal of Taiwan-CEE cooperation. Instead, CEE companies and governments should look for synergies between regional players and their Taiwanese counterparts. In the long run, such an approach would benefit the region's competitiveness and strengthen the EU's industrial capabilities and economic security. This could also open new doors to Taiwanese businesses, research institutions, and universities, and vice versa.

Finally, in terms of public communication, CEE states should go beyond the narrative of Taiwan as allegedly "the most dangerous place on Earth"[9] —a problematic framing popular in the mainstream discourse. This kind of sensational coverage does not help to develop a better understanding of Taiwan with all its complexities. More focus should be paid to the people-to-people level of cooperation so that Taiwan can be brought closer to the CEE public—not as a pawn in a geopolitical rivalry between the United States and China, but rather as an actor with its own agency, needs, and diverse set of perspectives. And although situated in a geographically unique location—given its strategic value for the stability in the Indo-Pacific—many of Taiwan's problems are quite universal. From growing polarization, youth unemployment, and the housing crisis to transitional justice and disinformation, Taiwan's problems are also relevant to many in the CEE region. Thus, Taiwanese NGOs, media, universities, and other civil society organizations and their CEE counterparts have enormous potential to bring these geographically distant yet somehow similar societies closer together.

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Trading for Economic Security

Taiwan Shows How Open Markets Can Bring Resilience

By Viking Bohman

Open markets and economic security are often seen as being in contradiction, but Taiwan's experience throws doubt on this assumption. The United States and the EU are increasingly concerned about risks of supply chain disruptions, unfair economic competition, and spying by foreign governments. As free trade created these vulnerabilities, many policymakers conclude that the best method to remedy the situation must be to scale back some of that market openness. This has given rise to a range of restrictive "de-risking" measures targeting China, such as export controls, industrial policy, and investment restrictions, some of which are warranted to safeguard national security. What these approaches tend to overlook, however, is that allowing markets to operate freely can also generate security benefits, and that there are alternative strategies that focus on cultivating rather than limiting commercial forces.[1]

Taiwan's modern history contains at least three examples that show a commitment to free trade, rather than to economic independence, can bring geopolitical gain. First, the opening of trade and investment with mainland China in the late 1980s, although it led to the offshoring of certain manufacturing capabilities, helped Taiwan upgrade its economy and position itself at the core of global high-tech supply chains. Second, Taiwan's deep international networks and integration in global markets played a pivotal role in the rise of its world-leading semiconductor industry. Third, Taipei has aptly responded to China's coercive trade restrictions by stimulating domestic and international market forces, including by promoting "buycotts" of its sanctioned products. In all three cases, a relative lack of barriers to economic exchange seems to have benefitted Taiwan's security.

Profiting from the Mainland

In the late 1980s, Taiwan's government made a fateful decision to broaden economic exchange with China, which led to a wave of cross-strait investments flowing from the island. The mainland, which had recently recovered from a long period of depressed growth during Mao Tse-tung's reign, offered an attractive alternative for Taiwanese manufacturers that were feeling the effects of rising wages, regulatory burdens, and currency appreciation. China's low-cost labor and regulatory flexibility provided Taiwanese producers with a way to maintain profitability and extend their global market presence.[2]

The business migration led to a hollowing out of Taiwanese manufacturing capabilities with the production of (what today are) low-tech goods, such as PC hardware, moving to China. Moreover, as Shelley Rigger has demonstrated, the economic openness across the strait connected Chinese industries to global value chains and accelerated their development. At the same time, however, the exchange gave Taiwan steady capital inflows and allowed it to focus on upgrading its economy. As

lower-value manufacturing moved to China, Taiwan developed a concentrated focus on high-value, innovative technologies, positioning itself as a crucial player in the global high-tech marketplace.[3]

The economic interaction with the mainland, while robust, did not visibly compromise Taiwan's security interests. It did not, contrary to what some expected, push Taiwan toward political unification with China, nor did it prevent Taipei from adopting policies viewed by Beijing as highly provocative.[4] Rather, it contributed to making Taiwan the advanced economy it is today, raising its international status and the value that other countries perceive in maintaining a relationship with it. Without Taiwan's openness to global markets in general, and to mainland China in particular, it is difficult to envision how Taiwan could have become such a central node in the global economic landscape.

Developing a Semiconductor Ecosystem

The rapid rise of Taiwan's high-tech sector in the late 20th century is often attributed to industrial policy. Taiwan is sometimes grouped together with Japan and South Korea, whose governments sought to guide development through publicly funded initiatives and institutions. Researchers have noted, however, that there are important differences between the approach of Taiwan and its two neighbors to the north. AnnaLee Saxenian, for instance, has argued that Taiwan's IT sector had "more in common with Silicon Valley … than with the other East Asian [Newly Industrialized Countries]".[5]

Saxenian acknowledges the government's important role, especially through investment in research and development, but points out that the success of Taiwan's IT sector in places such as the Hsinchu Science Park is more closely associated with entrepreneurship than state direction. Taiwan was able to foster a strong innovation environment in a "localized cluster of specialist producers" with deep international connections. This approach "differs fundamentally from the privileged relationship between the state and a handful of large, established corporate giants that characterized IT development in Japan and Korea in the 1980s".[6]

Taiwan's IT sector not only resembled Silicon Valley, it also had direct connections to it. A "brain circulation" occurred when Taiwan-born, US-educated and -trained engineers and entrepreneurs returned to their homeland, bringing with them advanced knowledge, technology expertise, and market strategies. These returnees were pivotal in driving entrepreneurial growth across various hardware-related industries including semiconductors and personal computers.[7]

While government support helped the IT industry overcome initial technological and financial hurdles, the sector's position in global value chains was also critical. Many firms, such as TSMC, specialized narrowly in segments of manufacturing that complemented rather than directly competed with US firms. According to Saxenian, this allowed "Taiwanese start-ups to avoid the substantial costs of branding, marketing and distribution of IT products, and it allowed some firms to grow very large in spite of the limited size of the domestic market".[8]

In sum, while state initiatives undoubtedly played an important role in the semiconductor industry's rise, the broader story of success is woven with threads of global economic integration.

Withstanding Economic Coercion

In recent years, China has on several occasions imposed restrictions on imports from Taiwan to signal discontent or pressure Taipei. Taiwan

is by no means a unique target in this regard, as Australia, Lithuania, the United States, and others have also been subject to such coercion attempts. The Taiwanese case stands out, however, due to the government's innovative and market-oriented response to mitigate the effect of China's sanctions.

Taiwan's policy has been characterized by the promotion of "buycotts", campaigns in which the government encourages domestic and international purchases of Taiwanese products to compensate for the loss of exports to China. In response to Beijing's sudden ban on Taiwanese pineapples in March 2021, for example, the government launched "Freedom Pineapple", an initiative to boost sales of the fruit. The Taiwanese government also allocated funds to farmers, established an e-commerce platform to facilitate sales, and encouraged procurement by public institutions to facilitate consumer access. These moves seem to have compensated for the lost Chinese market and fostered a sense of solidarity and resilience among Taiwanese producers and consumers. Taiwan also won some international support for its cause, as figures such as Japan's former Prime Minister Shinzo Abe tweeted to promote the campaign. Pineapple exports to Japan were approximately six times higher in 2021 than in the year before.[9]

In short, the episode showcases an anti-coercion strategy that leverages, not limits, the market. Such an approach can help governments minimize economic impact, exploit opportunities to reinforce national pride, and enhance trade with sympathetic partners.

Lessons in Free Trade

Taiwan provides several instructive examples of how economic openness can serve geopolitical purposes. The cases surveyed here suggest that it is possible to profit from trading with a large neighbor without sacrificing independence; that international networks and globalized supply chains can be a decisive factor in industrial development; and that economic coercion can be countered effectively by stimulating market forces.

The fact that Taipei proved this in the past does not necessarily mean that Washington or Brussels should pursue similar policies today. Taiwan's circumstances differ greatly from those of Europe and the United States. The point is merely that restricting free trade is not always the best method to enhance economic security, and that market-friendly alternatives ought to be given greater consideration.

Admittedly, American and European policymakers have promised to encourage trade with allies to reduce dependence on China. Yet the scale of efforts to open new avenues of commerce among partners seems vanishingly small compared to the significant trade and investment restrictions implemented under the de-risking strategy. Policies aimed at promoting international exchange and improving market efficiency deserve more attention.

Openness Among Allied Industry?

Economists often question the utility of security-motivated trade barriers, highlighting the downsides of duplicated production and other market inefficiencies. While these costs need to be taken seriously, it is equally important to assess whether economic security measures genuinely enhance national security or not.

Consider US investment in the semiconductor industry. American firms already excel in chip design, but Washington wants to scale up domestic manufacturing, a segment that Taiwanese firms such as TSMC lead.[10] The CHIPS and Science Act supports this effort by, among other measures, attracting investment and high-skilled labor from abroad. Although initially reluctant, TSMC recently agreed to produce its most advanced chips in the 2-nanometer range in Arizona after being offered large financial incentives.[11] The US policy is typically said to have been devised to better compete with Chinese industry, but some Taiwanese experts are concerned that such legislation could make it harder for Taiwan to maintain its competitive edge over time.

US investment can create jobs and boost domestic growth, but what is the security benefit for moving production capacity from allies and partners, such as Taiwan, to the United States? For Washington, indigenous production means enhanced autonomy of supply chains. This could technically benefit Taiwan, too. In the event of a blockade and invasion of Taiwan, the United States would be in a better position to sustain a long-term war effort against China if it has safe access to advanced chips.

There is, however, another side to the argument. Reduced American reliance on Taiwan would give Washington more leeway to decide whether to defend its partner in the event of a conflict with China, and could affect US resolve. To be clear, this is not to say that the United States is committed to Taiwan's defense primarily because of the island's semiconductor industry (American deterrence was in place long before the rise of TSMC and the so-called "silicon shield"). But in a strict cost-benefit analysis, the United States would have one less reason to risk war with China over Taiwan if it did not need advanced chips from the region. This could prove important, as future American presidents may bring a transactional mindset to bear on US policy and be less committed to Taiwan's defense. In other words, while onshoring production may increase the immediate security of the United States, this is not necessarily the case for Taiwan.

An alternative approach would be to welcome, rather than undermine, Taiwan's specialization in chip manufacturing. This could reinforce US resolve by ensuring that American interests are directly linked to the well-being of its partner. More generally, allowing for economic complementarity among geopolitical partners rather than attempting to control the most advanced value chains would win political support from US allies. While unlikely to occur given current domestic US political conditions, treating allied economies as something akin to an integrated trading zone, spared from security-motivated trade barriers, could optimize the benefits of free trade and strengthen unity.

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Not Just Subsidies

Taiwan shows that there are many ways to boost innovation and score economic gains

By Francesca Ghiretti

To subsidize or not to subsidize? Boost industries that are already part of the backbone and strength of an economy or fill strategic gaps?

These are two core questions that economies face today. The resurgence of industrial policies and, especially, subsidies in advanced economies has brought these issues back to the fore.[1] And the perception that economic planning and subsidies are the secret ingredients to the People's Republic of China's (PRC) economic success have fed the debate.

The push behind industrial policy, however, appears to be exacerbating the division between an ever-decreasing number of countries that can pursue such a strategy and an ever-increasing number of those that cannot. Some economies, such as the United States', can introduce significant incentives that include subsidies. The Inflation Reduction Act, the CHIPS and Science Act, and the Bipartisan Infrastructure Law prove that.[2]

The EU and some member states can also offer subsidies, but their capacity to do so is less than Washington's or Beijing's. At the same time, the issue is among those fracturing the bloc's unity. France and Germany can and do subsidize certain economic sectors, while other member states are unable to. For the EU, the risk is a double-edged sword. The bloc wants to compete globally but stifle internal competition that could deplete the industrial basis of many member states while benefitting the few that offer (better) subsidies. The result? A poorer EU.

Countries with limited resources and the inability to afford extensive industrial policies, however, should not look to the United States and the PRC as best-case studies to emulate. Instead, a smaller yet innovative economy, such as Taiwan's, may offer inspiration.

The World Economic Forum has determined that Taiwan's growth is now innovation-driven.[3] Two elements make that approach to industrial policy a compelling example for Europe. The first is attention to coordination, the development of an ecosystem. The second is the use of incentives that go beyond subsidies.

The Ecosystem

Asked about the recipe for success for their innovation environment and, specifically, semiconductor industry, Taiwanese officials often provide the same answer: the ecosystem. They use this word to convey various meanings, but each, to a certain extent, revolves around the idea that stakeholders must contribute to mutual success. The recipe has three ingredients.

The first is a resilient supply system based on a complex set of interconnected components. One Taiwanese researcher, from the newly established Research Institute for Democracy, Society and Emerging Technology (DSET) in Taipei, argues that Taiwan could not compete in the PRC's market if it had bet on a technology less complex than semiconductors. Their large number of components and intricate supply chain mean the PRC cannot simply use the heft of its mass production capacity to easily replace Taiwan.

The second is the integration of the supply chain, which includes partnerships with domestic and regional companies. For the former, industrial and innovation parks also play an important role in the semi conductor industry's success.The third is the adoption of a set of state-driven incentives that subsidize innovation and, perhaps more importantly, aim to create an attractive business environment for local and foreign companies by, in part, offering tax benefits and other measures to facilitate attracting talent.[4]

Beyond Subsidies

Taiwan's economy, like others in the region, benefitted for decades from state-led industrial policy that prominently featured subsidies.[5] To this day, Taiwan has 17 state-owned enterprises (SOEs) that operate in sectors such as energy, water, and oil. One of its most globally known enterprises, Taiwan Semiconductor Manufacturing Company (TSMC), is no longer an SOE but emerged from a former one.[6] Fast forward to the 2010s and 2020s, and Taiwan has policies to boost its economy and innovation that include tools other than direct subsidies to improve innovation and attract talent.

Taiwan adopted in 2010 the Statute for Industrial Innovation (SII), a component of the aforementioned third ingredient. In addition to offering tax credits, the SII contains measures designed to improve research and development (R&D) dissemination and adoption by businesses, deregulate fundraising, and retain domestic and attract foreign talent.[7] In 2019, the government amended the SII to expand incentives for R&D and startups. The amendments allow deductions of up to 200% of R&D spending and permit lower tax rates and discounted leasing costs for businesses that operate in R&D-focused industrial parks, such as Hsinchu Science Park.[8]

The government also introduced, in 2020, measures to support entrepreneurs aged between 25 and 45 and interested in establishing a business in Taiwan. These aim, through 2025, to lend NTD 1 million per project at low interest rates. Lastly, Taiwan has a visa program for foreign entrepreneurs that offers residency if they raise funding of at least NTD 2 million, have a patent, work in an incubator or innovation park, or receive grants from Taiwanese authorities. Taiwan's Employment Gold Card policy also helps the recruitment of skilled foreign workers.[9]

These are just few of the measures Taiwan has in place to boost resilience and innovation. Other measures include special loans from Taiwan's central bank that offer preferential interest rates for importing equipment. All these provisions reflect Taiwan's push to structure an economy around the gains that innovation can provide.[10]

Subsides Still Play a Role

Still, Taiwan, like other actors, continues to use direct subsidies in selected sectors, even if they are expensive and risky. Not all governments can, however, afford the gamble. And, as wealthier economies adopt subsidies, poorer ones struggle to compete.

Taiwan's approach is not a perfect recipe. The success of the semiconductor industry and the ecosystem around it is, in part, the result of earlier, massive direct investment by the government in the sector.

But for countries with few resources for investing in their economies, Taiwan shows a way to boost innovation. Creating an interconnected ecosystem that increases resilience is one element. Another is introducing a combination of creative incentives. Europeans would do well to examine these two elements rather than focusing on the US or PRC approach. They could start by incentivizing exchanges with Taiwanese businesses and research centers to better understand their successes and the measures that are transferable to the EU and its member states.

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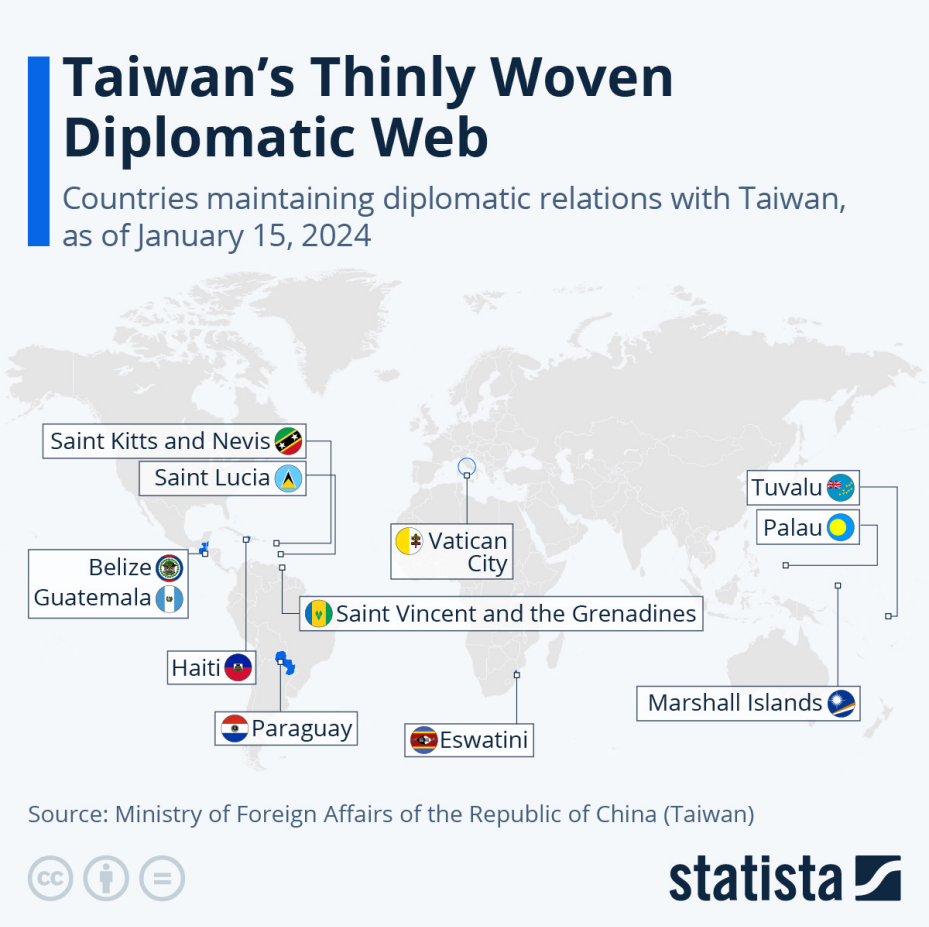
Developing Partners through Development Partnerships

Foreign assistance cooperation can boost Taiwan's international presence

By Heather Yang Hwalek

Taiwan's international presence—its formal diplomatic relationships and participation in international and multilateral forums—has been shrinking, largely due to efforts by the People's Republic of China (PRC) to isolate it diplomatically. Taiwan is down to 12 official diplomatic allies (see graphic), from a high of 71 in 1969.[1]



Source: https://www.statista.com/chart/27912/countries-with-diplomatic-relations-with-taiwan/

The PRC has blocked Taiwan's participation in the UN and its agencies, and in other international organizations such as the World Health Organization, the International Civil Aviation Organization, and Interpol. This has prevented the government of Taiwan and its 24 million people from reaping the full benefits of international cooperation and has undermined the island's participation in multinational efforts to address global challenges such as public health crises, environmental issues, and economic development.[2] This is to the detriment of other countries, especially low- and middle-income countries (LMICs) that could benefit from Taiwan's expertise.

It is unlikely that Taiwan's formal diplomatic network will expand in the near future. Yet, Taiwan's international relationships are not limited to its official partnerships and memberships, however important. Given its unique position in the global community, it is critical for Taiwan to foster unofficial relationships beyond its diplomatic partners and seek opportunities for cooperation through alternative avenues.

Taiwan already has 100 unofficial diplomatic offices worldwide[3] and counts 45 intergovernmental organizations and their subsidiaries in which it has full membership, including the World Trade Organization and the Asia-Pacific Economic Cooperation forum. It also maintains observer or similar status in 28 intergovernmental organizations and their ancillary bodies.[4]

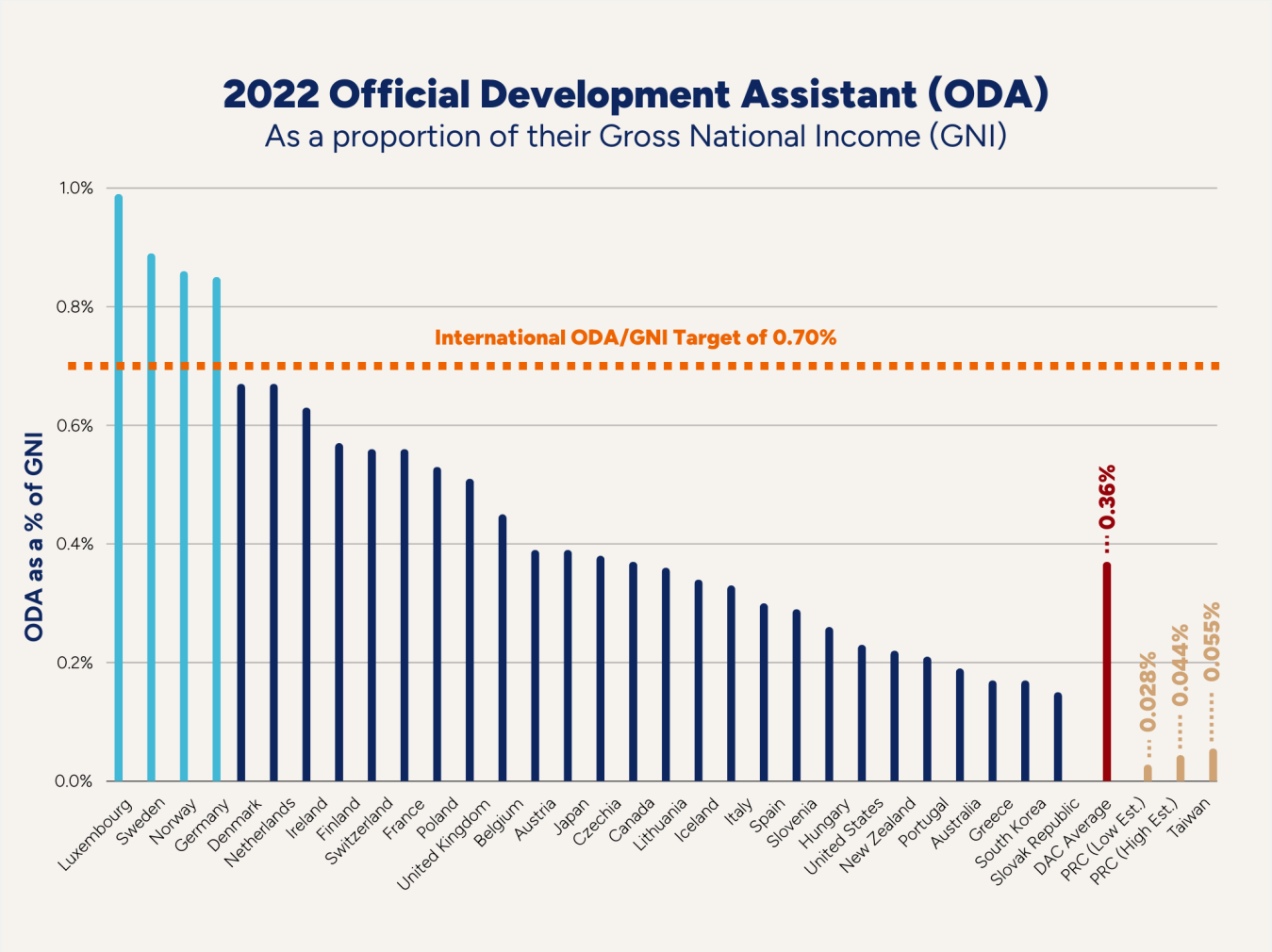
Taiwan also maintains robust trade partnerships globally. Efforts such as the United States-Taiwan Initiative on 21st Century Trade and the Taiwan-UK Enhanced Trade Partnership exemplify a trend toward Taiwan's formalizing trade relationships. Taiwan-EU ties have strengthened, marked by growing trade and rhetorical support from the European Parliament.[5] Taiwan's New Southbound Policy has significantly boosted economic relationships with South and Southeast Asian nations. At the same time, increasing security concerns and tensions in US-PRC relations have prompted American allies such as Japan to increase their overt support for and cooperation with Taiwan.[6]

Taipei's strongest unofficial relationship is with the United States, which has actively engaged in promoting Taiwan's room for maneuver globally. The 2023 National Defense Authorization Act instructed the US administration to develop and implement a strategy to counter Beijing's efforts to undermine international support for Taiwan, including its participation in international organizations.[7] Washington has initiated programs to bolster Taiwan's international partnerships, such as the Global Cooperation and Training Framework (GCTF), a platform through which experts from Taiwan conduct exchanges on issues such as public health, disaster relief, and women's empowerment. Initiated as a US-Taiwan project, and since expanded to include Australia and Japan, the GCTF was created to provide opportunities for exchanges with experts from Taiwan, given its exclusion from numerous international organizations and forums.[8] More than 8,500 individuals from 128 countries have thus far participated in GCTF programs since its inception in 2015.[9]

Overseas development assistance (ODA) and investment is one area where Taiwan could expand its informal partnerships. Taiwan's government spent roughly $432 million on ODA in 2022, a 13.9% decrease from 2020.[11] The International Cooperation Development Fund (ICDF), the administrative agency responsible for delivering Taiwan's ODA, operates in four core areas: lending and investment, technical cooperation, humanitarian assistance, and international education and training. The most recent white paper (2009) outlining ODA's strategic goals specified a need "to promote partnerships

for progress with Taiwan's diplomatic allies and friendly countries so as to advance their sustainable development".[12]

As of 2022, Taiwan's ICDF had active bilateral projects with 37 countries, 20 technical missions, and 115 staff stationed overseas.[13] Examples include COVID-19 response projects in India, vocational training for women in Nigeria, and rice donations to South Africa, Eswatini, Türkiye, and Somaliland.[14] Taiwan has also increased in recent years its development partnerships with other governments and NGOs. In 2022, Taiwan signed a memorandum of understanding (MOU) with the United States Agency for International Development (USAID) on international development and humanitarian assistance. Taiwan has also contributed funding toward the Pacific American Fund, a five-year grant facility to promote development and provide disaster assistance across 12 Pacific island countries.[15] In 2024, ICDF signed an MOU with the United States International Development Finance Corporation (DFC) to explore



Source: https://focus2030.org/Increase-of-Official-Development-Assistance-in-2022-1295

joint opportunities for cooperation on development issues.[16] ICDF has also partnered with countries such as Canada, Japan, and France, and NGOs such as Mercy Corps and Catholic Relief Services.[17]

There is great potential for Taiwan to further leverage its ODA strategy to develop and strengthen relationships with countries other than its official diplomatic allies. First, it should increase its foreign assistance. The 2022 budget represents roughly 0.055% of Taiwan's gross national income (GNI), using the guidelines established by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC).[18] This is a fraction of the UN-established target of 0.7% of GNI (see graphic), and well below the 0.37% average of DAC countries.[19]

There is further capacity for Taiwan to engage in development through multilateral development institutions and funds. Taiwan can boast the highest shareholding value (11.4%) among non-regional members of the Central American Bank for Economic Integration.[20] Taiwan has also contributed $281 million to the European Bank for Reconstruction and Development.[21] A founding member of the Asian Development Bank, Taiwan has provided $1.55 billion in capital subscription and holds slightly more than 1% of total shares.[22] Its attempts to make its voice heard in multilateral development arenas, however, have experienced setbacks. In one high-profile example, the PRC effectively blocked Taipei from joining the Asian Infrastructure Development Bank.[23] Taiwan should nevertheless increase its financing and intensify engagement within its existing multilateral development bank relationships, and seek new memberships, such as in the Inter-American Development Bank, and observer status in the OECD DAC.

The United States and like-minded countries should support Taiwan's admission into multilateral development financing forums and seek further opportunities for bilateral partnerships. The aforementioned MOUs with USAID and the DFC represent a good start toward providing capacity building and knowledge transfer, as well as diplomatic and political cover. European donor countries and financing institutions such as the European Development Fund should further seek opportunities for collaboration with the ICDF, as should countries such as Australia, Canada, and Japan. This could help expand the reach of ICDF projects in LMICs and mitigate Beijing's potential pushback, which is more likely against initiatives backed solely by Taiwan. These partnerships can also multiply the scale of Taiwan's impact, given its modest overseas development budget. Furthermore, there should be a strategic integration of GCTF programs into the broader policy of expanding Taiwan's international latitude for cooperation. Designing ICDF projects that can further sustain GCTF-initiated partnerships is an opportunity not to be missed.

While it will be important for Taiwan to continue to support its diplomatic allies, it should also increase the portfolio of its development projects and boost financial support for them in other LMICs, where possible. Taiwan should avoid creating an impression that its international assistance is a quid pro quo for diplomatic recognition or other political favors. It should instead focus on opportunities to contribute to the benefit of the broader global community while strengthening and improving its international partnerships.

If Taiwan increased its ODA spending to the UN-recommended 0.7% of GNI—approximately $5.5 billion—its foreign assistance would be nearer in absolute terms to the PRC's estimated delivery of aid of between $5 billion and $7.9 billion annually.[24]

The latter figure, however, is not reflective of the PRC's clout in the developing world. That must take into account Beijing's major contributions toward multilateral development institutions, which have more than quadrupled over the past decade,[25] and its investment spending through the Belt and Road Initiative (BRI), which some experts estimate could reach $8 trillion[26] cumulatively in more than 150 countries.[27] On top of all that is the PRC economy's status as the world's second-largest.

Still, Taiwan can still have a positive influence on LMICs, further expanding its unofficial international presence. While it cannot compete with Beijing on size, it can impress with transparency, trust, and impact. Ten years after its inception, the BRI has come under scrutiny for increasing debt risk in LMICs[28] at a time when a debt crisis has seized the developing world and the lowest-income countries are experiencing net negative finance flows.[29] Taiwan enjoys a much higher positivity ranking from developing country policymakers,[30] whereas PRC funding gets low marks for transparency, quality, and local capacity building.[31]

The world stands to benefit from Taiwan's technical expertise and development assistance. Taiwan and its people, in turn, gain from closer international cooperation, particularly with non-diplomatic allies. Direct foreign assistance, technical projects, training and knowledge sharing, and increased coordination in development forums are areas in which Taiwan can support global needs, thereby expanding its international influence and soft power. The United States and other like-minded partners should help Taiwan achieve this through solidarity and exerting their own diplomatic clout.

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Taiwan's Troubles in the Tropics

The island's allies in Latin America and the Caribbean offer challenges and opportunities

By Leland M. Lazarus

Just one day after Lai Ching-te won the Taiwan presidential election in January 2024, the South Pacific island nation of Nauru switched its diplomatic recognition from Taipei to Beijing. This reduced Taiwan's diplomatic allies worldwide to 12, seven of which are in Latin America and the Caribbean (LAC). The trend does not look promising. In the last seven years, the Dominican Republic, El Salvador, Honduras, Nicaragua, and Panama moved as Nauru did.

That most of Taiwan's remaining allies are in LAC should make the region one of Taipei's diplomatic priorities. As the island deepens relations with key non-diplomatic partners such as the United States, the EU, Japan, and, through its New Southbound Policy, Southeast Asia, it must also devote more resources to maintaining diplomatic allies that advocate for Taiwan in international forums, even if such allies are not global economic powerhouses.

This report, based on research, discussions, and meetings with Taiwan government officials during the 2024 German Marshall Fund's Taiwan-US Policy Program, assesses Taipei's priorities in and strategies for LAC, and the agencies and institutions that implement them. It discusses how priorities should go beyond maintaining seven diplomatic allies and considers countries with large markets in the area and regional multilateral organizations. It concludes with policy recommendations for strengthening Taiwan's partnerships in LAC.

Top Objectives

Taiwan's key priority in the region is to maintain its seven diplomatic allies (Belize, Guatemala, Haiti, Paraguay, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines), but not just for the obvious reasons. To be sure, allies ensure that Taiwan maintains legitimacy as a sovereign state, and they advocate for Taiwan in international forums. They also serve a practical purpose, however. Having allies in the Western Hemisphere gives Taiwan's president a reason to transit through the United States to meet with that country's officials, as Tsai Ing-wen did en route to visiting to Belize and Guatemala in 2023. But maintaining its allies is not Taiwan's only priority in the region. Taiwan has economic and cultural offices—de facto embassies—in nine non-diplomatic regional partners and is working to cultivate relations with members of the Comprehensive and Progressive Agreement on Transpacific Partnership (Chile, Mexico, and Peru) to persuade them to support Taiwan's joining the pact. The island also engages in regional multilateral forums such as the Central American Bank of Economic Integration and the Central American Integration System.

The Four Implementers

Taiwan relies mainly on four government and nongovernment agencies to carry out its foreign policy in the Americas.

The first, the International Cooperation and Development Fund (ICDF), equivalent to the US Agency for International Development (USAID), conducts technical missions on a wide range of projects such as helping goat farmers in Belize manage their flocks, donating tons of rice to Haiti, and establishing small business programs for pregnant women and disabled citizens in Guatemala.

The second, the Overseas Investment and Development Corporation (OIDC), resembles the US Development Finance Corporation by providing financing for key infrastructure projects in diplomatic allies. The OIDC's subsidiary, the Overseas Engineering and Construction Corporation (OECC), has supported more than 100 high-quality infrastructure projects globally. Examples in LAC include $22 million for the National Hospital of Chimaltenango in Guatemalai1 and $16 million for Belize's San Pedro hospital. While not on the same scale as the People's Republic of China's (PRC) billion-dollar infrastructure projects across the Caribbean,2 the OECC's efforts consistently employ local workers, engineers, and materials for its projects, according to a diplomat representing Taiwan.

The third, Taiwan's Central America Trade Office (CATO), organizes in Belize and Guatemala trade shows, investment, tourism, public relations campaigns, and social media assistance, all of which helps Taiwanese and Central American businesses operate in each other's market.3 CATO's work has facilitated millions of dollars in trade in coffee, cocoa, and textiles.

Finally, Taiwanese NGOs such as the Tzu Chi Foundation [4] offer support during natural disasters, such as the 2021 earthquake in Haiti and floods in rural Paraguay.[5]

All is Stable in the Americas … for Now

Officials in Taiwan who focus on the region believe the island's diplomatic relations with its LAC partners remain strong. Despite concerns by some observers that Guatemala may be the next to switch diplomatic recognition, one senior official noted that Guatemalan President Bernardo Arevalo reaffirmed his support for Taiwan after receiving a briefing about the programs that Taipei has completed for his people. Other regional diplomatic allies also continue to express support, although a diplomat from the island warned that the PRC still actively pressures remaining partners, especially Haiti, to break ties with Taipei.[6]

Officials in Taiwan insist that some countries that switched diplomatic relations in recent years are now suffering buyer's remorse. One senior government representative explained that Honduran shrimp producers keen to sell to the PRC's large market saw prices significantly drop since the country imports shrimp from many countries and competition is keen.[7] Costa Rica was promised an economic boost from greater trade with the PRC, but since 2007 imports have dwarfed exports.

Ultimately, any attempt by Taiwan's remaining diplomatic allies to pit Taipei and Beijing against each other will backfire. The PRC may engage in corruption to get its way, but Taiwan no longer engages in dollar diplomacy and refuses to play dirty.

Mixed Signals from the Private Sector

While high-level officials and a foreign ministry representative were more sanguine about Taiwan's accomplishments in LAC, a trade representative expressed a more sober view of Taiwanese private-sector engagement in the region.

Having worked in various LAC countries, he acknowledged that some Taiwanese businesses operate in larger markets such as Mexico and Brazil, nations not among Taiwan's diplomatic allies. Foxconn, for example, has a factory employing thousands in Sao Paulo, Brazil, and Intertek has a petroleum and biofuel testing center in the country. A Taiwan trade delegation visited Mexico, Guatemala, and Peru in 2023 to explore investment opportunities.[8] The delegation in Mexico included representatives from Foxconn, Unimicron, Inventec, and Pegatron looking for investments in microchips, information technology, and advanced manufacturing.[9]

But despite these bright spots, the trade representative noted, most Taiwanese businesses do not find LAC an attractive market. Challenges that Taiwanese businesses often face include unpredictable domestic policies as leaders regularly dismantle the measures of their immediate predecessors. Corruption and bribery also create headaches, as do complicated tax and labor laws.

Labor costs are an additional impediment. The representative noted that businesses always prefer to pay lower wages to workers in Southeast Asia. Taiwan's New Southbound Policy, which Tsai announced in 2016, also incentivizes Taiwanese companies to prioritize that region.

Lastly, the small domestic markets in many LAC countries offer few opportunities to scale services.

Policy Recommendations

The opposing viewpoints from officials in Taiwan and the trade representative illuminate a conundrum. The island wants to maintain its diplomatic partnerships, but its private sector is not providing the trade, lending, and investment on the same scale as the PRC's does. More diplomatic allies may consequently decide to cast their lot with Beijing to secure perceived economic benefits.

But Taiwan may have an opportunity to prevent this since the PRC is wrestling with domestic economic challenges that mean it may not be able to invest with the same largesse as before. Taiwan, therefore, in an effort to regain its stature in LAC, should:

- Significantly boost foreign assistance. According to April 2024 data from the Organisation for Economic Co-operation and Development, Taiwan spent about $430 million, or approximately 0.06% of its gross national income (GNI), on foreign assistance in 2023.[10] Increasing this to 1% would allow the ICDF, the OIDC, and the OECC to support more big-ticket development projects in diplomatic allies.
- Offer tax incentives to Taiwanese companies for setting up businesses in LAC. Taiwan offers generous tax credits to local and foreign companies that invest in industrial parks. It should consider offering tax incentives to some of its most innovative companies to establish such parks in diplomatic allies.
- Discuss with Washington joining the Americas Partnership for Economic Prosperity (APEP). APEP is the Biden administration's flagship initiative in LAC. A key component is upskilling the region's workforce in semiconductor supply chains, artificial intelligence (AI), 5G, and cybersecurity. As a global leader in many of these fields, the government and companies in Taiwan can play a meaningful role in the initiative, perhaps offering to fund training and workshops on semiconductor packaging and testing.

- Expand CATO's portfolio. CATO's trade promotion mandate is focused only on Belize and Guatemala. It should expand into Taiwan's other five diplomatic allies in the region.
- Consider expanding investment in other strategic LAC countries. The government and companies in Taiwan should explore activities in countries with critical minerals crucial to its semiconductor industry, such as Argentina, Bolivia, and Chile, the so-called Lithium Triangle.
- Develop a more robust public diplomacy strategy. Taiwan deserves credit for being a stalwart partner for its diplomatic allies, providing humanitarian help, development assistance, trade, and investment. But these accomplishments are not widely known. The ICDF, OIDC, OECC, and other entities should spend more resources on advertising the work they do.

Taiwan's diplomatic allies in LAC should:

- Work to simplify tax regulations to make investment more attractive. LAC countries should look to emulate the tax regimes of their Southeast Asian counterparts.
- Continue to increase transparency, good governance, and security. LAC countries will attract Taiwanese and global investment by solidifying these three important factors for investors.

The United States should:

- Deepen coordination with Taiwan implementers on LAC priorities. In 2022, the ICDF and USAID agreed to jointly fund projects worldwide, including small-business development centers in Paraguayxi and climate resilience projects in the Eastern Caribbean.[12] In February 2024, the ICDF and the US International Development Finance Corporation (DFC) agreed to collaborate on advancing private-sector investment opportunities in the Western Hemisphere.[13] Now USAID, DFC, and ICDF should prioritize speed in implementing joint projects so that their agreements can boast accomplishments. The US agency should also consider working with Taiwan's OIDC, CATO, and NGOs to maximize impact.
- Increase on-the-ground cooperation between diplomats from the United States and Taiwan. Their embassies should host regular coordinating meetings in diplomatic allies, and US embassies in other countries should boost collaboration with Taiwan's economic and cultural offices. The State Department's regional China officers are uniquely positioned to play this coordinating role.

A Window of Opportunity

Just a few years ago, the prevailing global narrative was that Taiwan would inevitably lose its diplomatic allies while other countries would maintain their distance from Taipei out of fear of reprisal from the PRC. Today, the world recognizes the island's democracy as a global leader in semiconductors, AI, advanced machinery, and other emerging technologies. There is also widespread recognition that a conflict in the Taiwan Strait could devastate the global economy. And the narrative that the PRC's economy will inexorably continue to grow is in doubt.

Now, therefore, is the time for Taiwan to go on the offensive to win back international support. There

is no better place to start than LAC. By increasing foreign assistance, incentivizing more private investment, and working more closely with the United States and other democratic countries, Taiwan may again become the preferred Chinese partner in LAC and beyond.

ENDNOTES

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Cracking the Glass Ceiling

Can a Stronger Partnership Between Taiwan and the United States Foster Gender Equality on an International Scale?

By Lauren Racusin

Nearly any conversation about Taiwan's domestic challenges spotlights the area's urgent need for an infusion of human capital and talent. To mitigate the problem of a shrinking labor and talent pool, Taiwan needs to harness the untapped potential of women not participating in its workforce. Doubling down on its efforts to promote gender equality will help Taiwan to capitalize on a critical segment of its labor pool that is underutilized. Taiwan already has made remarkable strides in a relatively short period to close the gender gap, politically and economically, with innovative initiatives, from which the United States could learn, and yet Taiwan has room to do more. There is a strategic role for the United States to help elevate Taiwan on the global stage while acting as a thought partner as Taiwan expands its initiatives.

In 2018, the Ministry of the Interior classified Taiwan as an "aged society", with 14% of the area's population already above the age of 65. By 2027, Taiwan is projected to be a "super-aged society" as defined by the World Health Organization, with 21% of the population over 65 and the portion[1] working-age citizens reduced from 73% to 67%.[2]

In the American Chamber of Commerce in Taiwan (AmCham Taiwan)'s Business Climate Survey 2024 Report, overcoming this deficiency was ranked as a top priority, with nearly half of the businesses surveyed planning to hire more over the next year. Hiring, training, and retaining women in particular could be the answer.

According to a 2019 analysis, if just 15% of the 2 million women not working had instead joined the labor force, Taiwan's GDP would have increased by $7.7 billion USD the previous year.[3] As of 2020, slightly more than 50% of women were participating in the labor force, compared to 67% of men.[4]

The AmCham Taiwan report also noted that one of the biggest deterrents to women entering and remaining in the workforce is the dearth of services. [5] The turnover rate for employed married women was 20.9% in 2019; of those cases, 40% were due to time off for childbirth, and 40% of those mothers did not return to the workforce.[6]

For its economic and political institutions to be resilient and sustainable, it is crucial that Taiwan ensures that women are meaningfully – and equally – represented in the labor force. Their potential exclusion represents a tremendous economic and productivity loss that will compound exponentially as Taiwan's population continues to age.

Fortunately, efforts are already underway – and proving to be effective.

The growth of Taiwan's women's rights movement began with two groups founded in the 1980s: the

Awakening Foundation (AF) and the Homemakers United Foundation (HUF).[7]

AF began in 1982 as a magazine that focused on gender equality and grew to become a key voice in political advocacy by lobbying for policy and regulatory changes. One key legislative success led by AF was the passing of the 2004 Gender Equity Education Act, which sought to eliminate gender discrimination and safeguard the right to education for all.

HUF was founded in 1989 with a similar assertion – that women have an important place in society beyond the conventional stereotype as housewives and mothers – and through grassroots campaigns, encourages Taiwanese citizens to broaden society's views of women in economic management and politics, maintaining that women regularly play pivotal roles as environmental advocates and community stewards.

Building on the work of HUF and AF, Taiwan has made strides in reducing the gap in average weekly salaries between men and women. The National Committee on Pay Equity in the United States created Equal Pay Day in 1996 to raise public awareness about the issue, and since 2021, Taiwan has recognized its own annual Equal Pay Day. Over the three decades leading up to 2024, the difference in average weekly salaries in Taiwan dropped from 33% to 13.6%,[8] compared to 17% in the United States, and hourly wages for women rose at a higher rate than for males in 2023.[9]

That said, as of February 2024, women in Taiwan still need to work an additional 54 days to match the yearly earnings of men[10] and are not regularly promoted to senior leadership positions or well represented in all sectors. Notably, of the more than 15,000 directors of public companies in Taiwan, only 15% are women.[11]

As for potential next steps, Taiwan could take advantage of the opportunity to collaborate with the private sector and nonprofit partners on developing curriculum for workforce training programs for hard-to-place roles and advertising those programs to female candidates. By leveraging public-private partnerships, the private sector could be engaged in efforts to bolster workforce pathways that help steer a greater percentage of women towards professional careers in STEAM (science, technology, engineering, the arts, and mathematics) and other specialized fields.

Dedicated workforce and leadership development training would also enable female graduates who seek technical positions in engineering, science, and technology to gain more and better-paying roles in those high-growth sectors as well as the potential to be considered for – and excel in – more senior-level management positions.

Some of this work has already begun.

The American Institute in Taiwan (AIT) also offers workforce training through its Academy for Women Entrepreneurs, but it could meaningfully expand its efforts by developing and supporting plans that make careers in STEAM more attractive to female students, a successful technique deployed by the United States, where, as of 2018, 53% of graduates in the natural sciences, math, and statistics were female, as opposed to 43% in Taiwan.[12]

In the political arena, Taiwan's progress on equal representation is undeniable. In 1999, Taiwan instituted a gender quota system which now ensures that at least one woman is elected per legislative district. This policy has allowed women to overcome societal skepticism and stereotyping,[13] and as female politicians have gained experience in office, they've

also enjoyed more party and public support, becoming more competitive – and successful – on the ballot.

Significantly, 80% of women in Taiwan who won seats in single-member districts, and 70% of elected female mayors got their start in politics by running in elections that featured quotas. As of 2018, however, only 3% of elected female politicians needed quotas to win their seats, and the number of women elected to Taiwan's legislature has continued to grow.[14]

In 2016, Taiwan elected its first female president – Tsai Ing-wen, who served for two terms – and in 2024's legislative election, 41.6% of those elected were women.[15] By comparison, 28% of members of the U.S. Congress are women,[16] and, despite being a much older democracy, the United States has yet to elect a woman as president.

This suggests that the quota system established in Taiwan was a success and may be worth considering in America as a pathway to foster gender equality in the offices of the U.S. government.

In terms of policy, Taiwan's legislature introduced in 2005 the Gender Mainstreaming Implementation Plan, which requires a gender impact assessment of new laws and regulations – and has the potential to be expanded even further.[17] In 2012, they established the Department of Gender Equality to further promote balanced policies in the workplace and central government, nine years before the United States created its own Gender Policy Council.

As a leader, especially in its region, Taiwan has much to share about its success in promoting gender equality.

In a 2019 World Bank report, "Women, Business, and the Law: A Decade of Reform", Taiwan's climate for women was ranked as the best in Asia – with perfect scores in five of eight metrics – and in the UNDP 2021 Gender Inequality Index, Taiwan was awarded the highest rank in Asia and seventh in the world (the United States placed 45th).

Without official channels for international dialogue on the issue, however, Taiwan's efforts have not been as widely recognized or celebrated as others on the global stage.

Strengthening the partnership between the U.S. and Taiwan – which face strikingly similar challenges when it comes to gender equality – could allow the U.S. to implement Taiwan's successful strategic initiatives in America while simultaneously helping to elevate Taiwan's international profile.

Taiwan has already worked with AIT and the Taipei Economic Cultural Representative Office in the United States to conduct gender equality-focused forums and workshops, and in 2023, Taiwan hosted the Academy for Women Entrepreneurs' Indo-Pacific Women in Tech Summit. AIT can more broadly deploy its convening power to bring together countries in the region – and beyond – to learn from Taiwan's work, support their efforts to make more progress, and engage new international partners.

By expanding its reach – and its partnerships – Taiwan can continue to combat an aging population by building on an already successful approach to gender equality that merits international recognition and attention.

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Powering Taiwan's Sustainable Resilience

By Friso Stevens

In the Western news cycle, messages of an impending unification by force of the People's Republic of China (PRC) and Taiwan are a regular occurrence. Such worries, however, do not unsettle Taipei's security and defense establishment. Those officials instead contemplate scenarios that are more aligned with traditional Chinese strategic thought: winning without fighting.

In August 2022, Beijing practiced imposing a naval blockade of the island. A perceived American provocation—Taiwan President Tsai Ing-wen's meeting with the US speaker of the House of Representatives—was used to display the Chinese version of deterrence, which is punitive and goes beyond threats to involve actual physical action.

Disconcertingly, Taiwan's ability to sustain daily life in case of an air and sea blockade could last only weeks, not months. Moreover, incidents such as the April 2021 crash of the Ever Given container ship in the Suez Canal revealed the vulnerability of maritime shipping and the fallout from an interruption for businesses and consumers worldwide. The Rhodium Group estimates more than $2 trillion in global economic activity to be at risk in the event of a blockade of Taiwan.[1]

Taiwan, consequently, must implement drastic steps to protect its economic security by increasing the cost of a blockade, which may help dissuade Beijing from making such a move.

There are five areas of economic security that Taiwan needs to strengthen. It should:

- Build a larger renewable energy base, decreasing substantially its reliance on imported fossil fuels, which stands at more than 80%
- Establish a circular and guaranteed water supply system with better water management for industry and agricultural irrigation
- Increase food production and crop yield along the lines of a smart Agriculture 5.0 program; in doing so, deep research ties with the renowned Wageningen University & Research should be pursued
- Diversify domestic industry (60% of GDP is currently generated by the technology sector) so that a larger share of the economy consists of services not directly linked to trade
- Expand advanced drug production capacity.
- This policy paper focuses on the first point.

Nuclear Energy

In part, Taiwan's energy uncertainty can be traced to the Tsai administration's decision to completely phase out nuclear energy by 2025. The decision was driven more by the desire to fulfill a long-standing political commitment of the Democratic Progressive Party (DPP) than a rational evaluation of what is best to guarantee Taiwan's energy security. The incoming administration, led by Lai Ching-te, should change course to reflect current energy shortages.

Enough time has passed since the Fukushima disaster to be able to steer public opinion toward accepting nuclear fission as a necessary transitionary

energy source for the next 30 years amid a changed geopolitical reality. A public campaign should stress this as a pragmatic solution that does not in principle forgo the eventual goal of a completely renewable energy base by 2050.

The decommissioning process of Taiwan's Jinshan and Kuosheng plants can and should be reversed, and the life of the two reactors at Maanshan should be extended. A majority in the Legislative Yuan, which would include both opposition parties, would provide sufficient votes for the necessary amendment to Taiwan's nuclear energy law.

In 2021, the public rejected by only a small margin restarting construction of the almost-completed reactors at Lungmen, Taiwan's fourth nuclear power plant.[2] Lai has signaled that he is open to reversing nuclear energy policy if "new technology" can provide better safety conditions.[3] The Lungmen facility, designed as Generation III reactors, come with advanced safety systems. France is now constructing such reactors at home, in the town of Penly, to provide an additional 2,700 megawatts of power.

Solar Energy

The nuclear share of Taiwan's energy mix decreased steeply from 16% in 2016, when Tsai took office, to a meager 4.9% in 2023.[4] However, this drop in energy production has not been offset by an increase from other sources of energy. Worse still, (imported) coal still comprises 30% of the energy mix. Simply put, the DPP has failed to deliver on renewables. In 2023, Taiwan's renewable energy capacity amounted to only 9.9% of the island's total energy capacity.[5] In 2016, when the progressive party took the presidency after eight years of Kuomintang rule, the Bureau of Energy promised to increase that figure to 20% by 2025.[6]

Taiwan's sustainable energy potential is undeniably vast. With plenty of sunlight year-round due to its subtropical to tropical climate, Taiwan offers enormous prospects for huge solar farms. Moreover, in the last decade, the price of monocrystalline, a photovoltaic used in solar cells, decreased some 80% to about 24 US cents per watt.[7] The scarcity of farmland alongside an imperative to significantly expand domestic food production means that the completion in April 2023 of 272 megawatts' worth of solar panels on reclaimed land off Taiwan's coast offers a promising solution.[8] Two months earlier, however, the PRC allegedly cut two sea communication cables near the Taiwanese island of Matsu, demonstrating the vulnerability of offshore critical infrastructure.

A striking geographic fact provides the answer to where the next solar farms ought to be: the mountains, which cover 70% to 80% of Taiwan and remain commercially unexploited. The solar park on the Hebei side of the Taihang Mountains in the PRC provides an example that Taiwan could follow.

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A striking geographic fact provides the answer to where the next solar farms ought to be: the mountains, which cover 70% to 80% of Taiwan and remain commercially unexploited. The solar park on the Hebei side of the Taihang Mountains in the PRC provides an example that Taiwan could follow.

Solar panels should also be placed on public buildings and other infrastructure, and the government could encourage solar energy use on residential structures through subsidies and a VAT-exemption scheme. Solar panels could provide many homes with sufficient power and feed overproduction into the national grid. Such an energy security measure would be costly and would put additional pressure on an already stretched electrical grid, but it would significantly reduce private electricity consumption and, as a result, the need for imported energy sources.

The Netherlands offers an example to follow in this regard. Between 2015 and 2023, solar-generated energy capacity on residential buildings increased sevenfold. Today, half of all privately owned homes in the country have solar panels on their roofs.[9]

Wind Energy

The third prong in Taiwan's push to become more energy secure should be erecting wind farms in the island's mountainous regions. At present, Taiwan has only 2,250 megawatts' worth of offshore wind power capacity, less than 2% of total power generation.[10] The challenge is that the cost of constructing wind parks has risen substantially in recent years.

The 2023 decision by a Swedish company to freeze a major wind farm project in the United Kingdom reflects this problem. Inflation and rising interest rates caused the cost of the project to rise by 40%.[11] European wind turbine construction firms, therefore, have called for more generous government incentives to sustain the green revolution on the continent.

To avoid this fate, the Lai government should formulate an attractive guarantee and investment scheme to attract companies to build despite the challenging conditions, among which are high altitudes. Windpark Handalm in Austria's mountainous Deutschlandsberg district provides an exemplary success story of such an effort.

Transportation

The final measure toward a more energy-secure Taiwan pertains to the island's transportation system. There are too many fossil-fuel vehicles on the road, the subway system in the metropolitan area around the capital is underdeveloped, and only a fraction of the region's large fleet of buses is electric.

An ambitious investment plan, supported by a "sustainability in connectivity" coalition involving the central government, the cities of Taipei and New Taipei, and private companies and investors, could expand the subway network by several lines. The initiative should provide tax breaks and subsidies. At a time when Europe has recognized Taiwan's importance, the EU's Global Gateway could take a financial stake in the endeavor. If successful, the plan could form a blueprint for other major urban hubs to follow.

To promote electric vehicle usage, Taiwan has already funded and prioritized an electric urban bus fleet that is scheduled to be completed by 2030.[12] Charging posts at every gas station would spur a similar move in passenger cars. At the same time, gasoline taxes at the pump should be doubled to stimulate the use of public transportation. The EU requires its member states to impose a minimum fuel excise tax of about

40 US cents, or 10 Taiwanese dollars, per liter of petrol.[13] Taiwan should do the same.

A Collaborative Effort

The DPP has been too ideological in its approach to nuclear energy and insufficiently progressive on renewables. Taiwan's incoming leader will face some painful energy choices in an era of heightened concerns about Taiwan's economic security. Showing that the island can survive a blockade for more than a couple of weeks would be a powerful signal to Beijing that may serve as a deterrent.

At the same time, getting serious about economic security gives the administration a valid argument to wean the island off fossil fuels, although this means direct confrontation with those who have a vested interest in the present energy system. To do this, the DPP will need the cooperation of at least one opposition party, which will require a plan that appeals to a wide segment of the population.

Creative thinking and bold execution are needed to ensure Taiwan's energy security. Building in mountainous, high-altitude areas and raising fossil fuel taxes provide a good start. These measures can garner enough support only through an interest-based (as opposed to ideological) national campaign and tradeoffs—on nuclear power, for example—with the two right-leaning parties in parliament.

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"America Skepticism" in Taiwan

There are doubts about American intentions but little anti-Americanism. That provides the United States with an opportunity to bolster its image

By Joshua Stone

Lai Ching-te's historic victory in Taiwan's January presidential election secured for his Democratic Progressive Party (DPP) an unprecedented third consecutive term. But his inability to capture a majority of votes cast in the three-way race is a sign that he faces a more volatile domestic political landscape than that which his predecessor, President Tsai Ing-wen, who scored sizable majorities in her 2016 and 2020 wins, enjoyed for the past eight years.[1] The DPP's disappointing results in legislative races are additional signs of challenges ahead. The party's inability to stanch losses there means an end to its majority in the Legislative Yuan to the Kuomintang (KMT).[2]

Lai will consequently have to compromise with members of the KMT or the Taiwan People's Party (TPP) to get approval for appropriations bills that can finance his plan to ensure regional peace and stability. The plan includes bolstering Taiwan's defense capabilities and economic security, goals that ostensibly entail deepening US-Taiwan relations. And therein lies the challenge. The constituencies of both opposition parties are more skeptical than the DPP's of the United States, especially its assurances and intentions concerning Taiwan's security.[3] Doubts are, in fact, creeping across the entire island. A September 2023 survey by National Chengchi University's Election Study Center found that only 34% of respondents agreed that the United States was a trustworthy country, down from 45% in 2021.[4] Faith in Washington is clearly dwindling.

Growing distrust toward the United States could engender increased self-reliance in Taiwan, leading to increased defense spending or a "divest to invest" strategy to develop asymmetric defense capabilities that deter an increasingly aggressive People's Republic of China (PRC). But such distrust is more likely to foment defeatism that could lead the population to capitulate, rather than resist, an invading force before any US intervention can occur.[5] This puts Washington in a quandary. If Taiwan were to fall under PRC control, it would irreparably damage American credibility, undermine the rules-based international order, and destabilize the global economy.[6] So, what can the United States do to win back public trust in Taiwan?

An American Gambit?

The first step is understanding the reasons behind growing distrust of the United States. One key factor in this is "America skepticism", a concept based on the belief that the United States is an inherently untrustworthy partner that exploits Taiwan only to abandon it at an expedient time. Yang Kuang-shun, co-founder of US-Taiwan Watch, coined the term and characterized it as "a fairly mainstream view in Taiwan".[7] Indeed, many in Taiwan even believe that America treats the island as a "chess piece" or "pawn".[8] The fear stems from Washington's 1979 recognition of the PRC government as the sole legal government

of China and the subsequent abrogation of the Mutual Defense Treaty with Taipei. These actions left Taiwan isolated and vulnerable on the international stage and sparked concerns about abandonment and exploitation that suffuse America skepticism. Even the passage of the 1979 Taiwan Relations Act (TRA), which codifies American obligations and commitments to the island, including a requirement to provide Taiwan with defensive armaments, did not dispel distrust of US assurances and intentions.

Current action and inaction often plays into America skepticism. Congressional bickering over security assistance to Ukraine has certainly done so. The linking by Senator Josh Hawley and other Republican lawmakers of additional aid to Ukraine to endangering the United States' ability to bolster Taiwan's defenses[9] created a false dichotomy that deepens Taiwan's fears of abandonment. Many people on the island identify with the Ukrainians in their struggle against a much more powerful neighbor and worry about the implications for Taiwan of softening US support for Ukraine.[10] Indeed, there are many parallels between the United States' relationships with Ukraine and Taiwan that legitimize this concern. Neither have formal alliances with Washington, but both have received assurances—not guarantees—of support. That makes US assistance to Ukraine in the face of the Russian invasion crucial for Taiwan. It sets a precedent for similar US action in the Indo-Pacific that could well deter Beijing from military aggression. As such, dwindling support for Ukraine and the larger trend of growing isolationism in US politics, particularly in the Republican Party,[11] only raises concerns that Washington would abandon Taiwan in similar circumstances.

Similarly, rhetoric that accompanies US policies to reshore domestic semiconductor manufacturing, in part by emphasizing Taiwan's precarious geopolitical situation, unnerves many on the island. They question whether the policies are mutually beneficial or serve only American interests.[12] Some in Taiwan see Washington's successful effort to incentivize the Taiwan Semiconductor Manufacturing Company (TSMC) to build fabrication facilities in Arizona as an attempt to "hollow out" the island by extracting its valuable resources, including its workforce.[13] Democratic US Congressman Seth Moulton cemented this impression by declaring that American forces would "blow up TSMC" if Taiwan were invaded.[14] In a rare show of bipartisan agreement, Elbridge Colby, a former high-ranking defense official in the Trump administration quickly expressed his support for such a move.[15] Such careless messaging contributes to distrust of US intentions.

It also provides ample fodder for disinformation campaigns by the PRC, Taiwan proxies, and ideologically aligned actors who amplify these narratives to further destabilize the US-Taiwan relationship.[16] A recent study by the Taiwan Information Environment Research Center (IORG) identified 84 narratives that promote America skepticism and exacerbate fears of abandonment and exploitation.[17] Many of these assert that the United States is too weak to defend Taiwan and cite American failures in Afghanistan and Vietnam as proof. Others allege that Washington is using Ukraine as a sacrificial pawn against Russia in a geopolitical chess game of global hegemony and is seeking to pit Taiwan against the PRC next. The most extreme narratives even claim that the United States seeks the "destruction of Taiwan altogether".[18] Such campaigns also frequently paint the DPP as a source of conflict and instability and accuse party leaders of selling out Taiwan's semiconductor industry for kickbacks from the United States. The narratives are patently false, but they reflect genuine and pervasive anxieties in Taiwan's collective gestalt. IORG refers to them as "cracks" in Taiwan's society.[19] The United States must

be vigilant about the impact of its engagement on fears of abandonment, exploitation, and destruction.

A Failure to Communicate

The shadow of an increasingly assertive and authoritarian PRC looms over a Taiwan that is simultaneously wary of growing calls for isolationism from an American public mired in political polarization and beset with economic concerns. At the same time, Lai's victory may herald an end to the recent period of peace and stability across the Taiwan Strait. Waning public faith in US security assurances, therefore, is unsurprising. And yet, there is no widespread anti-American sentiment on the island, only doubts. That gives the United States an opportunity to combat America skepticism.

Washington can do this by:

- **Embracing popular social media platforms that are skeptical of US assurances and intentions.** Doublethink Labs, which strives, according to its website, to "strengthen democracy through enhancing digital defenses", has found that people in Taiwan who use LINE, YouTube, and PRC social media platforms such as TikTok, WeChat, and Xiaohongshu as their main sources of information tend to agree with narratives promoting America skepticism.[20] The United States must incorporate these platforms into its outreach strategies to effectively convey its intentions without blurring the line between influence and interference. Among these platforms, the American Institute in Taiwan (AIT), Washington's de facto embassy, uses only, and infrequently, YouTube.

- **Continually organizing high-level visits and sending military patrols.** In the National Chengchi University survey, a majority of respondents stated that "high-level visits" to Taiwan by American politicians and government officials, and freedom of navigation operations (FONOPs) in the Taiwan Strait by American military vessels, increased their confidence in US willingness to use military force to help Taiwan defend itself in the event of an invasion.[21] Such visits and operations have precedents. The United States should repeatedly report on visits by Congressional delegations and on FONOPs to Taiwan's public. Quantity may have a quality of its own in countering disinformation about American actions.

- **Advertising the US commitment to Taiwan through deeper economic and educational ties.** The damage from American lawmakers' statements about TSMC facilities in Taiwan is done. Washington should now focus on explaining how the company's fabs in Arizona will facilitate expanding operations of other Taiwanese companies in the semiconductor manufacturing ecosystem. Washington can also boast about launching negotiations on the US-Taiwan Initiative on 21st Century Trade, which helped prod Canada and the United Kingdom to sign their own economic agreements with Taipei. Finally, the AIT should increase public messaging about the success of the US-Taiwan Education Initiative in facilitating people-to-people exchanges, US-Taiwan university partnerships, and even semiconductor research facilities at US universities.[22]

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A Partner for Democracy

Three Ways to Expand Taiwan's Role in Advancing Democracy and Global Human Rights

By Brian Volsky

At the first Summit for Democracy, held in December 2021, US President Joe Biden warned of the growing challenges to democratic governance and universal human rights, stressing that "all around the world, democracy needs champions".[1] Yet one of the strongest champions for democracy, Taiwan, regularly faces hurdles to joining in efforts to support democratic values worldwide. This includes the summit, where Taipei was represented by Digital Minister Audrey Tang. Nearly all other senior-level participants were presidents or prime ministers.

In the summit's case, diplomatic protocol limited Taiwan's options for choosing attendees, and Tang had been an important voice on digital democracy. But too often, the United States undervalues the role that Taiwan can play in advancing democracy globally. Accustomed to considering Taiwan predominantly through the lens of economic and defense interests, US policymakers ignore the diplomatic and development-related potential that can come from enhanced collaboration on democracy and human rights issues. As one of the soundest free societies in the Indo-Pacific region, with an unparalleled story to relate about its transition away from dynastic and one-party rule, there is perhaps no better partner in the struggle between autocratic and democratic forces. Here are three ways the United States can make common cause with Taiwan in spreading pluralistic values and defending universal human rights .

Advocate for Taiwan's Greater Participation in Future Summits for Democracy

The United States should push for meaningful involvement by Taiwan in future Summits for Democracy, with the goal of increasing the number of official and civil society attendees. The theme of the most recent summit, held in South Korea in March 2024, was "Democracy for Future Generations". It featured discussions on technology and democracy, youth engagement, and countering disinformation, all topics on which Taiwan would have had unique and invaluable expertise to share.

Tang's participation in the summit, however, was limited to a pre-recorded video whose existence was not announced before it was played.[2] South Korea also downplayed her involvement, describing it as having been done in her "personal capacity".[3] In addition, based on information from the South Korean government's website, only one civil society representative from Taiwan attended.[4] Even this negligible participation was too much for the People's Republic of China (PRC), which criticized South Korea for extending the invitations.[5]

Although the United States must be mindful of diplomatic sensitivities around Taiwan's involvement in multilateral forums, initiatives such as the Summit for Democracy are primarily US-driven and can be structured to maximize participation by relevant officials and experts from the island. To increase the

likelihood of success, US requests to include Taiwan should be made at the highest levels when possible.

Significantly Expand the GCTF

The Global Cooperation and Training Framework (GCTF) serves as a platform for countries to hold discussions and workshops with officials and experts from Taiwan on a range of global issues, including democracy, human rights, and the rule of law.

Established in 2015 by agreement between Taiwan and the American Institute in Taiwan (AIT), the GCTF has dramatically grown in size and scope and now includes Japan and Australia as full partners.[6] Since its creation, 74 GCTF workshops have been held with more than 8,000 participants representing 128 countries. In 2022, for example, the GCTF hosted a two-day conference on gender-based violence. The event featured senior officials from several countries, including the US special envoy for LGBTQ+ rights and the Australian ambassador for women and girls. It also included panels with academic and civil society participants from Vietnam, Japan, and India. In addition to hosting the conference, Taiwan contributed to the discussion with experts from government and civil society, including the head prosecutor from its justice ministry.

Previously, GCTF events were typically held in Taiwan, but the framework's partners have increasingly adopted a "franchise" model to promote workshops and seminars in other countries, often in collaboration with the local US embassy. In April 2024, Canada hosted a GCTF event on building democratic resilience against disinformation during which experts from Taiwan drew from recent election experience to offer strategies for empowering citizens to combat misinformation caused by foreign interference in campaigns.[7]

As the number of workshops has risen, so has the corresponding workload, and the United States and its GCTF partners have struggled to keep up with the demand for programming while optimizing the GCTF to meet larger strategic goals linked to Taiwan's meaningful participation in international forums. Washington could resolve some concerns by encouraging more like-minded countries to become full GCTF partners and take the lead on certain issues.

More significantly, Congress could consider formally authorizing a GCTF franchise fund, with a designated senior official at the Department of State serving as coordinator. Last year, the House Appropriations Committee expressed concern that AIT was failing to implement GCTF programming on a timely basis. By creating a specific source of funding handled centrally within the State Department, Congress could encourage better GCTF management and an expansion of franchise events, both handled by US diplomatic posts that would compete for the funding. AIT would likely still need dedicated appropriations for its own efforts, but the centrally managed account for franchise activities could allow the scaling up of the GCTF. Given the framework's multilateral nature, Congress should be careful not to set stringent criteria for programming, although it can emphasize broad areas of importance, including democratic governance and rule of law issues.

Increase Collaboration in Democracy-Focused Development Programs

Finally, the United States should step up collaboration between the US Agency for International Development (USAID) and the Taiwan International Cooperation and Development Fund (ICDF) on democratic development. Historically, the ICDF has focused on fostering economic relations in targeted developing partner countries through lending, technical cooperation, and humanitarian assistance. These programs have tended to shy away from issues of rule of law, good governance, and civil society protections. The ICDF also lacks a democracy-focused department.[8]

In contrast, USAID has a Bureau for Democracy, Human Rights, and Governance (DRG)[9] that provides guidance on integrating DRG principles into all USAID programs. In late 2023, the Biden administration proposed a new DRG policy that would further elevate

democratic development as an essential part of all USAID programs.[10]

The United States can encourage the ICDF to similarly incorporate democratic development into its mission through the creation of its own DRG counterpart. A DRG policy can help ensure that development programs support the conditions for democracy, or, at the very least, do not contribute to corruption or other anti-democratic conditions. It can also better align the work of USAID and the ICDF to enable future cooperation.

To be clear, the ICDF has already done important work on democratic governance. In March 2023, it partnered with USAID to provide training to Pacific island nations on the development and implementation of national cybersecurity strategies.[11] This training showcased Taiwan's digital expertise while enshrining democratic principles in the design of cyber policies to prevent external attacks. But with US support and technical assistance, the ICDF is well positioned to go beyond training and expand its activities into other cutting-edge areas of democracy and human rights work, such as supporting human rights defenders abroad and providing legal protections for investigative journalists. These kinds of sophisticated programs would require more resources and expertise but, if implemented successfully, would further solidify Taiwan's role as a champion of democracy.

Acknowledging the Need for Creativity

With the PRC determined to isolate Taiwan diplomatically, the United States must get creative to support Taiwan's global engagement. As the 2022 AIT Integrated Mission Strategy states, "PRC obstructionism deprives the international community of Taiwan's experience and expertise."[12] While the United States continues to advocate for Taiwan's participation in more formal multilateral institutions, it has several existing avenues to pursue that would allow Taiwan to increase its contributions to advancing global democracy and human rights.

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Not Just an Army of Civilian Warriors

Taiwan should bolster deterrence by investing in civil defense

By Theresa Caroline Winter

Over the past 30 years, deterrence has been envisioned in purely military terms. This is particularly true in Europe, via NATO's strategic nuclear deterrence. But deterrence is a broader concept, one that, in practice, encompasses national resilience and civil defense. The Kremlin's invasion of Ukraine has demonstrated the fundamental importance of preparedness at the level of civil society and basic infrastructure. The country's firm resistance against a stronger adversary for more than a decade, since Russia annexed Crimea, is not just a result of effective military strategy but also due to strong civil defense. The resilience of the Ukrainian people caught the Kremlin off guard, changing the calculus in Russia and in Europe. The latter, and NATO, have incorporated civil defense and minimizing vulnerabilities to power grid disruptions, supply interruptions, or cyberattacks into national and collective defense strategy. This is likely to influence the course of future actions of other nations with similar expansionist goals, such as the People's Republic of China (PRC).

Since assuming power in 2012, Chinese President Xi Jinping has made central to his political agenda his goal of achieving national rejuvenation by mid-century and explicitly stated that unifying Taiwan with the PRC is a prerequisite. Under Xi, Beijing has modernized its military, engaged in assertive diplomacy challenging global norms, and maintained a firm stance on the historical inevitability of reunification with Taiwan.

In response, the island's government and its people strongly defend their claim to sovereignty and quasi-independence. Whether Taiwan will face a situation similar to Ukraine's over the past ten years—specifically, whether the PRC will use its military might to compel unification—is unknown. Being prepared, however, is key for deterrence and survival in the event of an invasion. Drawing lessons from Ukraine, Taiwan should invest in civil-military cooperation and foster civil resilience and defense. Both could be critical to a comprehensive strategy and make a significant contribution to resistance, should the PRC decide to attempt to take over Taiwan by force.

Building civil resilience requires policy adjustments. Taiwan's security and defense planning has naturally always focused on scenarios for an invasion by the PRC's People's Liberation Army (PLA). Under the concept of "resolute defense" or "active defense", promoted by the Kuomintang (KMT) before and after Taiwan transitioned to democracy in 1987, civil defense has a role to play. That role, however, has been limited in scope since law enforcement agencies have conducted most training. There has been no joint civil-military exercises. This is in part due to the legacy of the White Terror, a period spanning more than 40 years, when an authoritarian KMT government persecuted and imprisoned its critics. This ended only in the early 1990s and left in its wake deep popular distrust in the military.

Today, civil defense in Taiwan is largely driven by grassroots initiatives, led by civilians who realize the importance of being prepared for crises and, at worst, war. The civil-military relationship remains strained, with many civil defense initiatives operating independent of Ministry of National Defense (MND) planning. Even though Taiwan's Civil Defense Act calls for "effectively utiliz[ing] the civilian force" for the purpose of "supporting military tasks during wartime", and states that civil defense tasks relating to military duties shall be executed … in conjunction with the Ministry of National Defense in time of peace", the Ministry of the Interior has yet to implement its plans for joint civil defense training with the MND.

To achieve the "whole-of-society defense" that Taiwan considers a central part of its resilience plan, it is essential to improve the civil-military relationship. By integrating civil defense initiatives into MND planning and conducting joint civil-military training, Taiwan can strengthen its overall defense strategy.

Civil-military Cooperation

Germany offers an example of improving the public image of its armed forces. Initiatives such as providing free public transport to military personnel in uniform signify steps toward societal acknowledgment and appreciation of military service. Increased defense spending and the renewed military focus on deterrence following the Russian aggression against Ukraine have also prompted a revitalization of civil-military relations. This includes a new military organization, the Bundeswehr Homeland Defense Command, introduced to integrate civilian structures and capabilities ranging from homeland security to disaster relief into defense planning.

Moreover, civil society, including think tanks, NGOs, political foundations, and religious institutions, has improved relations with the military, further enhancing its image. This shift is evident in military representatives' participating in public debates, even in uniform, which was uncommon in the past. The government's recent introduction of a Veterans Day reflects broader societal recognition and honor for military contributions.

In Germany, the Ministry of the Interior previously coordinated and organized civil defense, largely isolating the work from the military. Now, the German Ministry of Defense or the Homeland Defense Command leads the effort, working closely with the Ministry of Interior. The military has come to understand and value the role of civil defense in its planning.

Taiwan could adapt a few of these approaches to its own unique setup. Improving its military's image will facilitate integration of civil defense into Taiwan's overall defense plans. At the same time, the military service itself might attract a more diverse background of recruits, supporting the cultural shift necessary for better civil-military cooperation in protecting the island.

Civil Defense Initiatives

Civil defense is driven by civic participation. In the past seven years, Taiwan's civil society has launched several bottom-up civil defense efforts. In the form of training academies and public outreach platforms, initiatives such as the independent online media outlet Watchout or NGOs such as Forward Alliance and Kuma Academy aim to increase awareness and civil preparedness for an emergency or, in the worst case, war. Local chapters of the so-called Self-Training Groups and the Disaster Prevention Self-Training Groups, or the Citizens' League Civil Defense and Rescue Organization are other examples of the growing network of civil defense activities across Taiwan. Public interest in these efforts has grown

significantly in recent years owing to the increased sense of urgency about the potential for a PRC attack, particularly after Russia's full-scale invasion of Ukraine. Thus far, NGOs have been faster to adapt than the government.

Watchout, founded in 2013, organizes workshops, forums, and in-person events covering transitional justice, judicial reform, media literacy, and fact-checking. In response to a growing concern over disinformation campaigns targeting Taiwan, Watchout produced on YouTube a series of videos about the sources of such influence dissemination. The work was done with Puma Shen, co-founder of Doublethink Lab (set up to counter Chinese "digital authoritarianism"), and the civil defense–oriented Kuma Academy. Shen is now a legislator.

Watchout began publishing articles to spread civil defense knowledge, highlighting approaches by countries such as Sweden, Latvia, and Lithuania that have experience with hybrid war. With support from Forward Alliance and Kuma Academy, Watchout created its own civil defense guide in 2022.

Enoch Wu, a politician and former special forces soldier, founded Forward Alliance, which is guided by the philosophy that civil society must be prepared to help with emergency relief operations so that the military can focus on defense. Forward Alliance coordinates with local authorities and receives advice from senior retired military officers but is decidedly nonmilitary.

Kuma Academy, a training academy for civilians, was initially supported through crowdfunding before being backed by Taiwan microchip billionaire Robert Tsao. Its co-founders are Puma Shen and Ho Cheng-Hui, a security expert. Like Forward Alliance, Kuma Academy provides media literacy and first aid training. (Forward Alliance provided some training for Kuma's own instructors.) In the future, Kuma envisions a closer partnership with Taiwan's military and aspires to train "civilian warriors". The MND and the military have until now generally viewed the civilian warrior metaphor with skepticism.

To date, there has been no institutionalized interaction between these civil defense organizations and the armed forces or the MND. The government's focus has been on recruiting and training military personnel and reservist troops, rather than on civilian training. Regarding civic response, the MND published in 2022 an All-Out Defense Response Handbook for civilians that focuses on first aid and emergency information, identifying friendly and enemy forces, and providing suggested actions in crisis scenarios. Citizens are instructed to find shelter, avoid engagement with potential enemy forces, and to wait in a secure location for support from the military, police, or firefighters. They are not encouraged to resist enemy occupation or assume any other proactive role in their defense.

Although there is cooperation between the MND and the Ministry of Interior, it falls short of needs. Joint exercises, information sharing, and mutual support agreements are in place, but coordination lacks depth and effectiveness. Bureaucratic hurdles, differing priorities, and communication challenges between the agencies hinder the implementation of cohesive strategies for national security and emergency preparedness.

The Ministry of Interior also collaborates with the National Police Agency (NPA) of Taiwan on civil defense by conducting training and public awareness campaigns, and coordinating disaster response. The ministry works with local governments and communities for emergency preparedness, while the NPA maintains law and order during crises and uses advanced technology for effective management. Their

efforts include an annual National Disaster Prevention Day and continuous community engagement programs. However, they lack integration with civil society initiatives.

While many democratic countries distinguish between government/military and civilian responsibilities in a crisis, today's geopolitics show that the strict separation of security agencies and civilian resources is outdated. A Latvian government brochure, for example, encourages that nation's citizens to support the military in defending the country, either by joining the military, civil guard, or reserve force, or by engaging in resistance activities:

"If you choose to resist, you [citizens of Latvia] have the right to:

1. exercise armed resistance (including sabotage) against the enemy forces, thus cooperating with [the Latvian National Armed Forces]

2. exercise civil disobedience e.g., non-compliance with the laws passed by the occupation forces, refusal to enlist and work for them, organization and participation in mass strikes

3. support the resistance movement."

Taiwan could adopt a similar approach. War games have simulated various scenarios of PRC efforts to take over Taiwan, ranging from direct military attack with amphibious beach landings to persistent disinformation campaigns to erode the trust of the public in its government and in the United States. An informed and engaged public ready to defend its country is imperative in all such scenarios and would send Beijing a signal of resolve, which would bolster deterrence.

Cooperation is Key

Linking civic initiatives with the military offers distinct advantages.

First, it heightens threat awareness among civilians and empowers them with crisis management skills. Civil society could focus on community resilience and first response efforts while the military handles strategic defense planning and large-scale operations. This proactive approach fosters self-reliance during emergencies. Collaboration would also clarify the division of labor between civil society and government bodies in wartime.

Second, it contributes significantly to a robust civil defense, which boosts overall national deterrence capabilities.

Third, it increases public acknowledgment of and esteem for military service. This is essential for any defense strategy.

As Taiwan deepens defense reforms under its new president, Lai Ching-te, it should prioritize clarifying and implementing its concept of whole-of-society defense. This includes strengthening civil defense, providing civilian training, and coordinating military and civilian efforts.

Attracting and Retaining Talent

Taiwan's Gold Card has been a moderate success, but the island would benefit from more immigration options

By Adrienne Wu

Amid a global talent shortage in which 75% of employers worldwide struggle to fill jobs, Taiwanese businesses, unsurprisingly, face the same challenge. A 2024 report by ManpowerGroup, a multinational staffing company, notes that a slightly below-average 73% of Taiwanese employers have difficulties

finding qualified workers.[1] Taipei, recognizing the importance of immigration for reducing labor shortages, has introduced policies to attract foreign workers. These measures include initiatives under the New Southbound Policy and the 2018 launch of the Taiwan Employment Gold Card (TGC), which aims to recruit highly skilled professionals to help raise Taiwan's competitiveness.

But how successful has the TGC been? And how can Taipei build on progress already made?

A Golden Opportunity

The TGC, which emerged from Taipei's 2017 Act for the Recruitment and Employment of Foreign Professionals, is "a 4-in-1 card that includes a resident visa, work permit, Alien Resident Certificate (ARC), and re-entry permit". It covers a wide range of industries (see table below), and applications can be made online.

The TGC, which is based on Singapore's Employment Pass Program and its $5,000 monthly salary qualification[4], also uses high salaries alongside academic credentials and experience working at a senior level as indicators of an applicant's suitability. An additional focus on industry provides a great degree of precision for recruiting based on Taiwan's needs. However, the stringent qualifications reflect the TGC's targeting of mid- or senior-level professionals. The program is not intended to cultivate talent or attract students. As one commenter has wryly noted, "there aren't really any downsides to the Gold Card if you're eligible for it." [5]

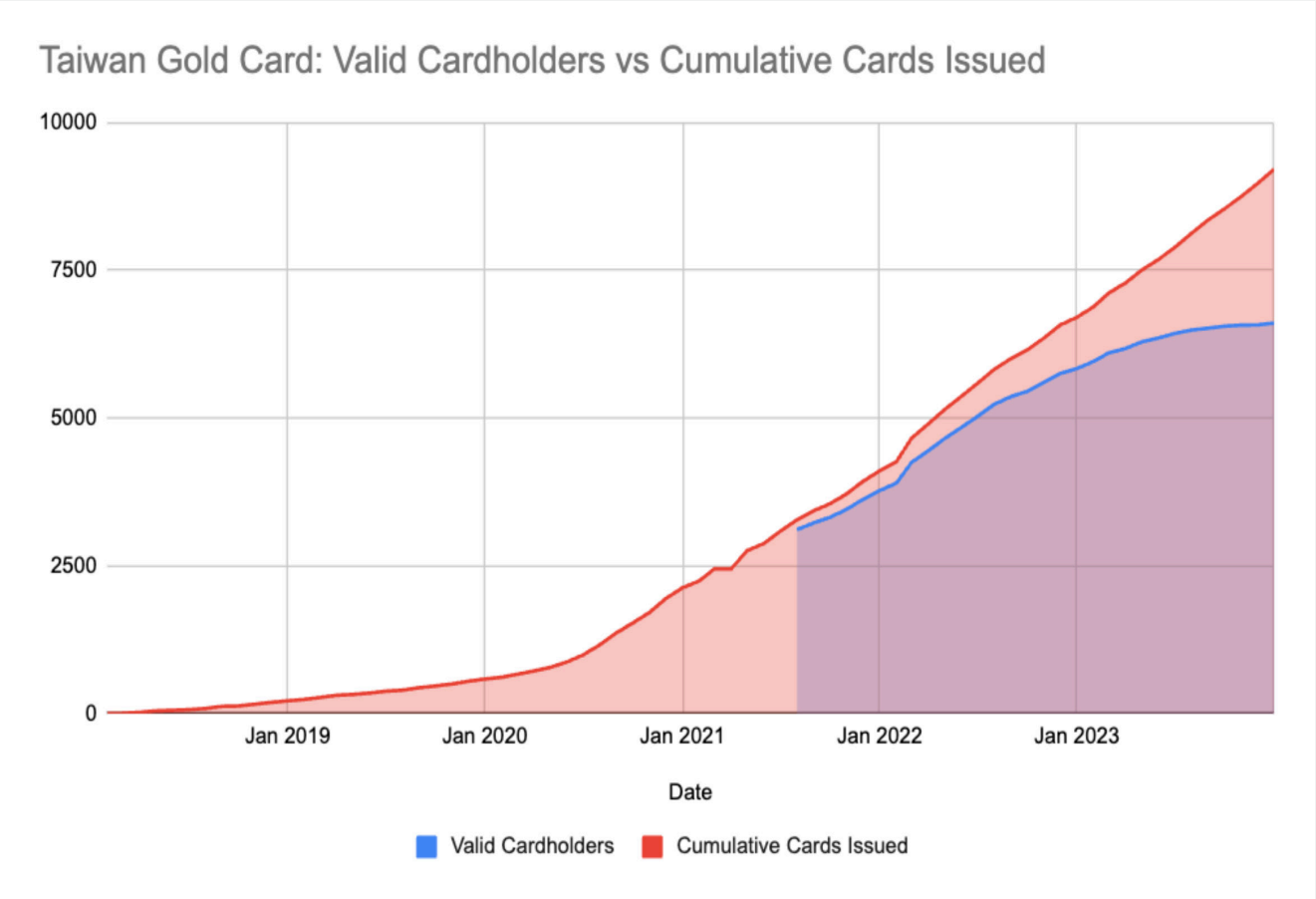
With 6,605 valid Gold Cards as of January 31 (out of 9,205 approvals), the TGC has been a moderate success.[6] The program picked up steam in 2020 due to Taiwan's handling of COVID-19[7], with the number of applicants doubling between August of that year and March 2021. However, without more robust data collection, assessing the TGC's record in retaining foreign talent is difficult.

Taiwan Employment Gold Card Office Director Jonathan Liao says new and valid TGC holders are the main data points collected by the National Immigration Agency (see graph below[8]), with additional information gathered through annual surveys of current cardholders.[9] Since those with a TGC can let the card expire if they no longer need it—and reasons for this vary from leaving Taiwan to switching visas or applying for permanent residency—the number of former cardholders remaining in Taiwan is hard to determine.

Qualifications for a Taiwan Employment Gold Card Applicant		
Sector Example	Relevant Ministry	Qualifications
Science and Technology	National Science and Technology Council	• recent monthly salary of NTD 160,000 ($4,930) • doctorate degree • experience as a senior executive or core member of a research and development team
Economy	Ministry of Economic Affairs	• recent monthly salary of NTD 160,000 ($4,930) • previous position as a senior executive in "MICE" (Meeting, Incentive Travel, Conventions, and Exhibition
Education	Ministry of Education	• recent monthly salary of NTD 160,000 ($4,930) • doctorate degree from a top 500-ranked university
Culture and Arts	Financial Supervisory Commission	• recent monthly salary of NTD 160,000 ($4,930) • skills needed in Taiwan, e.g., financial technology, e-commerce
Sport	Ministry of Education	• current/former athlete/coach on a national team

Finance	Financial Supervisory Commission	• recent monthly salary of NTD 160,000 ($4,930) • skills needed in Taiwan, e.g., financial technology, e-commerce
Law	Ministry of Justice	• recent monthly salary of NTD 160,000 ($4,930) • experience as a professor/ researcher
Architecture	The Construction and Planning Agency, Ministry of the Interior	• recent monthly salary of NTD 160,000 ($4,930) • architect's license
National Defense	Ministry of National Defense	• more than five years' experience in defense aerospace, military shipbuilding
Digital	Ministry of Digital Affairs	• recent monthly salary of NTD 160,000 ($4,930) • doctorate degree from a top 500-ranked university
Special Cases	National Development Council	• winner of a Nobel Prize, Tang Prize, Wolf Prize, Fields Medal, or other comparable international award • skills needed in Taiwan

More detailed data collection, such as requiring the completion of a survey upon the card's expiration admittedly difficult to enforce) or tracking which former cardholders stay within the immigration system, would provide more insight into TGC's retention rate.



Source: National Immigration Agency and National Development Council, Taiwan.

Attracting Talent

With a shrinking pool of diplomatic allies and a limited international presence, Taiwan often struggles with a lack of awareness of its society and culture. This includes limited knowledge about Taiwan as a place to work. "Most people only find that Taiwan is a great place after they have been here as [a] language or exchange student, during a layover, or visiting a friend. It is often not a first-choice destination, which we would love to change," says Liao.[10]

To draw more interest, the Taiwan Employment Gold Card Office frequently coordinates with the island's diplomatic missions to disseminate information about the TGC program, particularly through Taiwan pavilions at international exhibitions or the Taiwan Tech Arena.[11] David Chang, founder and secretary-general of Taiwanese NGO Crossroads, noted that a downside of such a strategy is that people are naturally more skeptical of government-initiated outreach. He believes that an official system that allows current or former residents of Taiwan to refer new applicants to the Gold Card Office and, by doing so, earn, based on the number of referrals, honorary titles, or even points toward their own visas, permanent residency, or naturalization would be a more personal and effective alternative.[12] "With coordination among relevant agencies, such a program for crowdsourcing ambassadorship, could [bring more talent to Taiwan and act as] effective publicity campaigns for Taiwan," Chang said.[13]

More broadly, Taipei would benefit by increasing the pathways for foreigners to come to Taiwan. Since, however, the number of those interested is small, it would be best to allow as many people as possible within that group to qualify. Taipei's recent announcement that it will extend the time that recent foreign graduates of Taiwanese universities may stay on the island from between six to 12 months to two years—longer than Singapore (three months) and on par with Hong Kong—is a step forward.[14] However, increasing partnerships for Taiwan's working-holiday visa (no such partnership between Taiwan and the United States exists[15]) or offering a digital nomad visa would provide other low-barrier ways for foreigners to experience living in Taiwan while contributing to the economy. Such visas should mirror the TGC by not requiring an applicant to find a local employer before applying and differ from the TGC by having laxer qualifications and covering shorter time periods, with a potential transition to a longer-term employment visa.

South Korea's decision to offer a "Hallyu" visa for K-pop fans also raises prospects for a possible Taiwanese equivalent.[16] Chang proposed a culinary visa,[17] but Taiwan's strong civil society could prompt NGO- or civil society-related visas. Regardless of the options made available, expanding immigration programs would allow Taipei to capitalize on interested applicants and build an awareness of Taiwan that goes beyond a site of potential military conflict and a semiconductor manufacturing hub.

Retaining Talent

In addition to attracting talent, retaining talent is also important. InterNations' 2023 expat rankings ranked Taiwan the fifth-best place to live, with especially high ratings for quality of life (second), travel and transit (third), and healthcare (first). But Taiwan also ranked lower in language (39th), housing (23rd), and work culture satisfaction (22nd).[18] The National Development Council's decision to open a Taiwan International Talent Office, which provides bilingual support for TGC holders and all foreign professionals, represents a government effort to tackle some of these obstacles.[19] However, finance-related issues, such as low wages, difficulties with banking, and

taxes, are also deterrents for foreigners considering a long-term stay in Taiwan.

A 2022 survey by the Taiwan Employment Gold Card Office showed that more cardholders are employed by foreign companies (34.8%) than by their Taiwanese counterparts (30.4%).[20] This is, at least in part, likely due to low local wages. Still, TGC holders can teach locals in Taiwan about integrating with foreigners, especially in the banking sector. Chang noted that discomfort about interacting with foreigners can lead people in Taiwan to shy away from serving them, which creates complications when foreigners open bank accounts.[21] A survey by Crossroads found that 50% of respondents in Taiwan were intimidated by foreigners and worried that their English was insufficient.[22] Taiwan's "antiquated" banking system also compounds difficulties with communication since services must often be done in person and require significant paperwork.[23] Strengthening Taiwan's online banking services would contribute to retaining foreign professionals.[24]

Liao and Chang agreed that a double-taxation avoidance agreement between the United States and Taiwan would be instrumental in attracting more companies and professionals from the former to the latter.[25] The absence of such a treaty is not only a financial deterrent but also an incentive for Americans to leave Taiwan. US citizens are, after all, required to file and pay taxes on overseas income in Taiwan only if they stay more than 90 days.[26] TGC holders are eligible for tax reductions and exemptions, but only if they reside in Taiwan for more than 183 days in a calendar year and if their income exceeds NTD 3,000,000 ($94,800).[27] Even then, these benefits can be claimed for only five years.[28] A tax treaty would provide long-term benefits that would facilitate talent flow.

Recommendations

The TGC program is an excellent pathway to Taiwan for foreign professionals, but areas for improvement exist. They include:

- Collecting more data. More information about the number of TGC holders who transition to other Taiwanese visas or immigration programs would help evaluate the TGC.
- Expanding available immigration programs. Broadening the options for foreigners to come to Taiwan would facilitate the path for the limited number of people who know Taiwan and want to live there. It would also help to raise the visibility of Taiwan as a place to live and work.
- Prioritizing reciprocal agreements. Tax treaties can spur a larger talent flow, and other reciprocal arrangements, such as recognition of driver licenses, would ease the process for foreigners to settle in Taiwan.

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