



POST-WORKSHOP REPORT

Taiwan's Geopolitics After 2024: Election Implications for the Indo-Pacific and Beyond

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Located in the heart of campus at 38th Street and Locust Walk, Perry World House draws on the expertise of Penn's 12 schools and numerous globally oriented research centers to educate the Penn community and prepare students to be well-informed, contributing global citizens. At the same time, Perry World House connects Penn with leading policy experts from around the world to develop and advance innovative policy proposals.

Through its rich programming, Perry World House facilitates critical conversations about global policy challenges and fosters interdisciplinary research on these topics. It presents workshops and colloquia, welcomes distinguished visitors, and produces content for global audiences and policy leaders, so that the knowledge developed at Penn can make an immediate impact around the world.

Introduction

<< On May 20, 2024, Lai Ching-te, or William Lai, will be sworn in as president of the Republic of China (ROC, Taiwan), marking the third consecutive Democratic Progressive Party (DPP) administration. This is the first time since Taiwan started holding direct, democratic presidential elections, the first of which took place in 1996, that a political party has achieved such a feat. >>

On May 20, 2024, Lai Ching-te, or William Lai, will be sworn in as president of the Republic of China (ROC, Taiwan),¹ marking the third consecutive Democratic Progressive Party (DPP) administration. This is the first time since Taiwan started holding direct, democratic presidential elections, the first of which took place in 1996, that a political party has achieved such a feat. Lai's domestic and foreign policies will be consequential for the US-Taiwan and US-China relationships, cross-Strait relations, regional relations in the Indo-Pacific, and the broader global order as ongoing conflicts in Ukraine and Gaza challenge the status quo. His foreign policy is likely to emphasize a national and social identity separate from China's without advocating for explicit political independence, a continuity of outgoing president Tsai Ing-wen. Lai has framed a formal declaration of Taiwanese independence as superfluous because he considers Taiwan to already be a de facto self-governing nation.² The People's Republic of China (PRC) views the DPP with immense skepticism; Chinese

Communist Party officials regularly characterize it as a "separatist"³ party.

What factors will impact cross-Strait relations as Taiwan transitions to the Lai administration? How do actors across the Indo-Pacific perceive Taiwan's domestic, foreign, and cross-Strait policies? To address these questions, Perry World House, the University of Pennsylvania's institute for global affairs, gathered expert scholars and practitioners for a workshop on March 12, 2024, to discuss Taiwan's official and unofficial diplomatic relations, regional economic ties, and future areas of geopolitical, security, and economic cooperation. The workshop was structured around four panels:

1. **The Future of Taiwan's Unofficial and Official Political Relationships** compared formal recognition with informal ties through the experiences of states across the spectrum of diplomatic recognition and support. Panelists compared the trade-offs their countries

1 This report refers to the Republic of China (ROC) as its commonly known name: Taiwan. Unless otherwise specified, the use of the term "Taiwan" refers to the entirety of the country. For the purposes of this report, the authors refer to Taiwan as a country despite its lack of membership in the United Nations and formal diplomatic recognition by a majority of the world's countries.

2 Hsia Hsiao-hwa and Huang Chun-mei, "No Need to Declare Independence, Taiwan Presidential Hopeful Says," *Radio Free Asia*, January 9, 2024, <https://www.rfa.org/english/news/china/presidential-hopeful-01092024121734.html>.

3 Ministry of Foreign Affairs of the People's Republic of China, "Foreign Ministry Spokesperson's Remarks on Lai Ching-te's US 'Stopover,'" August 13, 2023, https://www.mfa.gov.cn/eng/xwfw_665399/s2510_665401/202308/t20230813_11126188.html.

Q:

Taiwan's new president will have what effect on the development of cross-Strait relations?



consider when making policy choices about bilateral economic cooperation and multilateral engagement in international organizations with Taiwan, along with the expected consequences from China for explicitly pursuing closer ties with Taiwan.

2. Vectors of Bilateral and Multilateral

Economic Relations explored how key regional actors carry out economic relations with Taiwan despite a lack of formal relations and in the face of PRC economic coercion. Panelists discussed the trajectory of critical industries in the technology and manufacturing sectors, successful models of overseas Taiwanese investment, and incipient markets ripe for increased regional engagement.

3. Cross-Strait Tensions: Taiwan's Security and Military Relations

analyzed the state of cross-Strait stability and compared divergent perceptions in the level of threat, urgency, and deterrence requirements necessary to maintain stability. Panelists discussed their countries' security priorities and specific steps that their governments could take to bolster their own and Taiwan's deterrent capabilities.

4. Perspectives on the Future of Taiwan's

Foreign Policy highlighted Taiwanese perspectives on Taipei's presumed foreign policy under President Lai. Panelists analyzed trends in Taiwanese public opinion, the impact of US-China competition on Taiwanese foreign policymaking, and how US public opinion reverberates through the region.

This workshop continues Perry World House's focus on the Indo-Pacific region. Previous convenings addressed the changing geoeconomic situation in the region, with an emphasis on Southeast Asia, as well as developments in nuclear policy in Northeast Asia. Given the January 2024 elections in Taiwan, Taiwan's global economic importance, and its ongoing security conversations, it was important for Perry World House to host a conference with global perspectives. This conference deemphasized the US perspective, which typically dominates Taiwan-related discussions, in favor of non-American viewpoints. Speakers and participants from fourteen countries joined in the workshop, with a mix of participants from Taiwan's formal diplomatic allies, long-term unofficial partners, and newer partners.

Key Takeaways

<< The recent downturn in Japan-China relations increases the risk of friendly political ties between Tokyo and Taipei, as cooperative relations exacerbate Beijing's threat perceptions about being surrounded by hostile neighbors. >>

Regional Geopolitics: Political and Military Dimensions

Taiwan is only formally recognized by twelve countries,⁴ but many countries maintain robust yet informal trade, military, law enforcement, and political relations and exchanges with Taiwan. Thus, most of the conversation regarding diplomatic recognition relates to the consequences of formal exclusion from the international system or participation in international organizations, such as the United Nations (UN) and its affiliated organizations. Taiwan's twelve diplomatic allies are critical advocates of Taiwan within the UN system and demonstrate Taiwan's contributions to the international community through speeches in the General Assembly and in other affiliated organizations. At the same time, Taiwan receives significant military and political support from a host of regional actors wary of Beijing's increasing aggression in its regional security environment. This section explores key takeaways from discussions on Taiwan's political relations across the globe.

Indo-Pacific Region

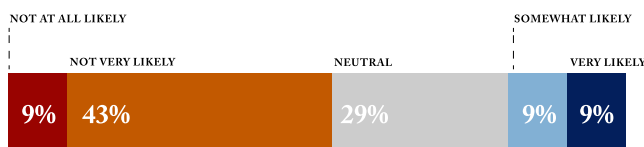
Within Taiwan's backyard, geopolitical relations with its neighbors are strengthening. Recently, Taiwan and Japan have seen an organic increase in mutual political interests and favorable perceptions among their domestic populations. Some in Japan are concerned that the latest DPP victory, which promotes a more explicit vision of Taiwanese political autonomy than the rival Kuomintang (or Chinese Nationalist Party), opens up the possibility that ties with Japan could be leveraged to further Taiwanese political goals. Yet others maintain the opposite concern—specifically that since former Japanese Prime Minister Shinzo Abe's assassination in 2022, a lack of concerted leadership promoting bilateral ties could handicap progress. Public opinion polls in Japan skew favorably toward increased cooperation, and within analyst circles, many are having increasingly candid discussions about the specific type of military support Japan might be willing to offer Taiwan in a military contingency.⁵ The recent downturn in Japan-China

4 The following twelve countries have formal diplomatic relations with Taiwan: Marshall Islands, Republic of Palau, Tuvalu, Eswatini, Holy See, Belize, Republic of Guatemala, Haiti, Republic of Paraguay, St. Kitts and Nevis, Saint Lucia, and Saint Vincent and the Grenadines.

5 For data on public opinion in Japan, see Christine Huang and Laura Clancy, "Taiwan Seen More Favorable Than Not Across 24 Countries," *Pew Research Center*, August 11, 2023, <https://www.pewresearch.org/short-reads/2023/08/11/taiwan-seen-more-favorably-than-not-across-24-countries/>. See also: Ryan Ashley, "Japan's Revolution on Taiwan Affairs," *War on the Rocks*, November 23, 2021, <https://warontherocks.com/2021/11/japans-revolution-on-taiwan-affairs/>. Note: The historical legacies of Japan's defense policies limit the amount of military support Japan might be willing to offer.

Q:

How likely is Taiwan to be invited (and participate) as a guest/observer in United Nations-affiliated organizations (like the WHO/WHA, Interpol, ICAO, etc.) over the next four years?



relations increases the risk of friendly political ties between Tokyo and Taipei, as cooperative relations exacerbate Beijing’s threat perceptions about being surrounded by hostile neighbors.

Taiwan’s strategic value to Japan and the importance of US-Taiwan relations for Japan’s own security indicates two possibilities in the event of a Chinese attempt to forcefully unify Taiwan. First, Japan would likely allow US military activity from existing US bases and provide logistical support before Tokyo pursued direct involvement. In the event of a direct attack on US military bases in Japan, workshop participants speculated Japan might launch operations on its own. During peacetime, Japan can continue to enhance US extended deterrence and integrate counterstrike and cyber defense into its posture.

In Southeast Asia, the Philippines has recently emerged as one of Taiwan’s most vocal advocates. Following Lai’s electoral victory, President Ferdinand Marcos Jr. offered a congratulatory statement, which provoked harsh rhetorical backlash in Beijing.⁶ While Filipino-Chinese relations have been increasingly strained under mounting

tensions in the South China Sea—most notably through a series of recent maritime standoffs between Filipino and Chinese coast guard vessels at the Second Thomas Shoal—a specific focus on Taiwan has been a recent area of prominent concern within Filipino media and policy discourse.⁷ However, in contrast to states like Japan, the Philippines is primarily focused on the issue of repatriating the approximately 200,000 Filipino citizens living and working in Taiwan in the event of a contingency over Taiwan—which would likely have spillover effects in the northern areas of the Philippines.

Despite rhetorically warmed relations with Taiwan, deeper collaboration between the Philippines and Taiwan is complicated by South China Sea territorial disputes, in which Taiwan and the Philippines themselves hold rival claims. Taiwan issued a statement that did not support the Philippines’ victory in the 2016 Arbitral Tribunal in the South China Sea Arbitration, where the Hague’s Permanent Court of Arbitration ruled that China’s South China Sea claims, which were based on historical ROC claims, were unlawful under the UN Convention on the Law of the Sea.⁸ Taipei’s statement forcefully

6 “China Blasts President of the Philippines for Congratulating Taiwan Election Winner,” *Associated Press*, January 16, 2024, <https://apnews.com/article/china-philippines-taiwan-marcos-8f3b426f056d713a36b223300c083ae5>. Ferdinand Marcos Jr. later clarified he does not support Taiwanese independence: “Philippines Marcos Says Does Not Endorse Taiwan Independence, Seeks to Avoid Conflict,” *Reuters*, January 23, 2024, [https://www.reuters.com/world/asia-pacific/philippines-marcos-says-does-not-endorse-taiwan-independence-seeks-avoid-2024-01-23/#:~:text=MANILA%2C%20Jan%2023%20\(Reuters\),in%20congratulating%20Taiwan%27s%20election%20winner](https://www.reuters.com/world/asia-pacific/philippines-marcos-says-does-not-endorse-taiwan-independence-seeks-avoid-2024-01-23/#:~:text=MANILA%2C%20Jan%2023%20(Reuters),in%20congratulating%20Taiwan%27s%20election%20winner).

7 See: James Legge, Lucas Lilieholm, Josh Campbell, and Chris Lau, “China Coast Guard Water-Cannons Philippine Ship Days after US backs Manila in Disputed Sea,” *CNN*, March 23, 2024, <https://www.cnn.com/2024/03/23/asia/china-coast-guard-water-cannon-philippine-south-china-sea-intl-hnk/index.html>; Sui-Lee Wee and Camille Elemia, “Standing Up to China. Philippine Leader Courts New Network of Partners,” *The New York Times*, March 16, 2024, <https://www.nytimes.com/2024/03/16/world/asia/philippines-south-china-sea.html>; and “Philippines Summons Beijing Envoy Over South China Sea Water Cannon Attack,” *Al Jazeera*, March 25, 2024, <https://www.aljazeera.com/news/2024/3/25/philippines-summons-beijing-envoy-over-south-china-sea-water-cannon-attack>.

8 US-China Economic and Security Review Commission, *South China Sea Arbitration Ruling: What Happened and What’s Next?* (Washington, DC: US-China Economic and Security Review Commission, July 12, 2016), <https://www.uscc.gov/research/south-china-sea-arbitration-ruling-what-happened-and-whats-next>.

rejected the validity of the ruling.⁹ Despite a common perception of Chinese aggression in their immediate neighborhood, the Philippines and Taiwan maintain their own long-standing territorial disputes that may complicate cooperation.

In addition, the Philippines' strategic location as an island nation connecting the South China Sea and Pacific Ocean as well as its status as a treaty ally of the United States underscore its potential for military cooperation in a Taiwan contingency. At the same time, the Philippines maintains robust economic ties with China and adheres to a rigid One China Policy, making official engagement with Taiwan infeasible. Although some might attribute shifts in Filipino defense policy to Taiwan, workshop participants emphasized that the Armed Forces of the Philippines' modernization is more a response to Chinese aggression on the Philippines' western seaboard than a concerted effort to assist Taiwan. Only recently did the Philippines' military shift to a focus on external defense from an overwhelming focus on internal security threats that prioritized counterinsurgency.¹⁰

In Micronesia, diplomatic relations can be a powerful source of leverage in countries with small or no independent militaries. Palau, an island nation with fewer than 20,000 people, sees Taiwan as a "big sister"—a model small island of economic success. Palau is one of Taiwan's twelve diplomatic allies and attributes its support for Taiwan to Taipei's ability to provide community-oriented aid and financial support that prioritizes on-the-ground implementation and local needs. Taiwan has historically aided Palau in implementing multilateral

<< Australia is one of Taiwan's most significant economic and technology partners. >>

agreements that focus on issues such as climate change and biodiversity. Palau's neighbor, Nauru, recently switched its diplomatic ties from the ROC to the PRC in the days after Lai's victory, purportedly after Nauru requested a "large sum of money" to "cover the financial gap left by the closure of the Nauru Regional Processing Center (RPC, an off-shore Australian immigration detention facility)."¹¹ Taiwan rejected the request, and Nauru subsequently severed ties with Taipei.

Australia is one of Taiwan's most significant economic and technology partners. Workshop participants emphasized that robust ties in these areas demonstrate that Australia-Taiwan relations stand on their own. Historically, Australia has sought security from, not within, Asia. This shifted in the late 1980s and led to Australia's current quasi-alliance with Japan via a reciprocal access agreement and its increasing ties to the Philippines and Indonesia. Australia perceives a severely diminished cross-Strait status quo. Participants argued that traditional pillars of stability in the region are eroding, including Beijing's beliefs that the United States is committed to a military defense of Taiwan, that China is still militarily inferior to the United States, and that Beijing is not willing to tolerate significant friction within its security environment. Compared with other states in the region, Australia assesses the risk of crisis in the

9 Public Diplomacy Coordination Council, "ROC Position on the South China Sea Arbitration," Ministry of Foreign Affairs, Republic of China (Taiwan), July 12, 2016, https://en.mofa.gov.tw/News_Content.aspx?n=1EADDCFD4C6EC567&s=5B5A9134709EB875.

10 For example, see: Office of the President of the Philippines, *Philippines National Security Policy 2023–2028* (Manilla: Office of the President of the Philippines, 2023), https://nsc.gov.ph/images/NSS_NSP/National_Security_Policy_Manual_FINAL_E-COPY_with_WATERMARK_140823.pdf; and Joseph Franco, "Examining the Military's Soft Power Challenge in the Southern Philippines," United States Institute of Peace, February 16, 2022, <https://www.usip.org/publications/2022/02/examining-militarys-soft-power-challenge-southern-philippines>.

11 Joseph Yeh, "China's Post-Election Poaching of Nauru 'An Assault On Democracy': MOFA," *Focus Taiwan*, January 15, 2024, <https://focustaiwan.tw/cross-strait/202401150016>.

Taiwan Strait as growing, and it is important that Canberra assures Beijing there is a path to future peaceful reunification to uphold present deterrence while denying the People's Liberation Army (PLA) confidence that it can achieve its aims militarily. Participants stressed Australia's position as America's most interoperable partner outside the North Atlantic Treaty Organization and a belief that the best way to assist Taiwan is to ensure PLA plans to engage in Anti-Access/Area-Denial (A2AD) cannot succeed. In addition, newer US-led security networks, such as the Quadrilateral Security Dialogue (QUAD) and the AUKUS trilateral technology and security partnership among Washington, London, and Canberra could be potentially useful opportunities for Taiwan to bolster its diplomatic status as these organizations are free of Beijing's influence.

Africa, the Americas, and Europe

Taiwan's experience pursuing economic development without diplomatic recognition resonates with others in the international system facing similar challenges of nonrecognition. For example, Somaliland views Taiwan's pursuit of unofficial political ties as an example for its own future. In 2020, Taiwan and Somaliland opened representative offices in each other's capitals. Yet pressure from China, especially the potential use of economic coercion toward Somaliland's neighbors, is a consistent balancing act for the government. Djibouti, for instance, sits along Somaliland's borders yet owes 45 percent of its gross domestic product¹² to China and hosts a People's Liberation Army Navy base. Somaliland's economy is highly reliant

<< Somaliland views Taiwan's pursuit of unofficial political ties as an example for its own future. >>

on exports to neighbors who may be susceptible to Chinese economic coercion.¹³ Ethiopia is a key node of Somaliland's exports, but Addis Ababa is highly reliant on Beijing for economic support. In short, China's increasing investments and economic footprint in the African continent present unique challenges for states that view Taiwan as an attractive partner.

In Europe, popular sentiment about PRC coercion focuses on linkages between the war in Ukraine and Beijing's decision-making across the Taiwan Strait—the prevailing view is that the outcome of the war in Ukraine will have significant implications for Taiwan. At the same time, the European Union (EU) is unwilling to make a significant reduction in its economic ties to Beijing. Participants emphasized the contradiction in the EU's policy of simultaneously viewing China as a partner, competitor, and rival in economics. Lithuania pursued a stronger unofficial relationship with Taiwan to diversify its trade and economic relations because it felt economic dependence on China was not sustainable. This desire resulted in the two opening representative offices in each other's capitals in 2021 and 2022. In turn, Lithuania suffered significant economic coercion from Beijing, yet maintained the health of its economy and continues to pursue joint projects with Taiwan, which announced a plan to invest \$200 million in

12 ADF Staff, "Inflation, Drought Push Djibouti to Suspend Loan Payments to China," Africa Defense Forum, January 17, 2023, <https://adf-magazine.com/2023/01/inflation-drought-push-djibouti-to-suspend-loan-payments-to-china/>.

13 For more on Somaliland's economy and the potential for Chinese economic coercion, see: Mariel Ferragamo and Claire Klobucista, "Somaliland: The Horn of Africa's Breakaway State," Council on Foreign Relations, January 25, 2024, <https://www.cfr.org/backgrounder/somaliland-horn-africas-breakaway-state#chapter-title-0-6>; and Marshall Reid, "The Taiwan-Somaliland Partnership: A Model for an Unofficial Approach to Diplomatic Relations?" *Global Taiwan Brief*, 6(23): 12-15, 2021, <https://globaltaiwan.org/wp-content/uploads/2021/12/GTB-6.23-1.pdf>.

Lithuanian technology sectors.¹⁴ For example, Lithuania's cooperation with Taiwan proved fruitful in rebuilding localities in Ukraine, such as through joint projects to erect schools and construct shelters, as well as through Taiwanese financing of domestic Ukrainian initiatives.¹⁵

Policy Recommendations

For Taiwan's Unofficial Partners:

- **Draft sovereign domestic legislation that clarifies positions on Taiwan.** Domestic legislation such as America's 1979 Taiwan Relations Act can be a useful tool for clarifying a state's position without undermining existing international agreements.¹⁶ States with strong One China Policies, such as the Philippines,¹⁷ could align their political and security goals with existing policies by drafting domestic legislation rather than by pursuing changes in international agreements.
- **Bolster peacetime deterrence through early warning systems and regional maritime law enforcement standardization.** Coordination mechanisms that increase information-sharing and transparency—such as early warning systems designed to alert regional actors about China's behavior in the Taiwan Strait or South China Sea—are useful means short of direct military assistance that can promote regional cohesion. Relatedly, establishing clear standards for law enforcement in the South China Sea and Taiwan Strait will help a greater number of relevant actors, such as coast guards, promote stability.
- **Combat cross-national disinformation.** Beijing relies on disinformation campaigns to penetrate civil society in Taiwan and across the region. Taiwan should share with its neighbors its best practices in combating disinformation, especially those neighbors with porous civil societies and polarization vis-à-vis China. Government-led efforts to share technical and expert advice on bolstering regional cyber resilience toward firms and government agencies will help countries understand the scope and nature of Beijing's disinformation campaigns.
- **Emphasize Taiwanese domestic political will in discourse over "unification."** The legal status of Taiwan depends on the democratic preferences of the Taiwanese people, so as partner's advocate for Taiwan bilaterally and in multilateral organizations, they should ensure their discourse regarding formal recognition prioritizes Taiwanese domestic voices.
- **Use the US-Taiwan Coast Guard Memorandum of Understanding as a model for increased cooperation with Taiwan.** Countries reluctant to enhance direct military-to-military cooperation with their Taiwanese counterparts should consider using the 2021 US-Taiwan Memorandum of Understanding to establish a Coast Guard Working Group as a model to increase law enforcement cooperation in the areas of preserving natural resources, decreasing

14 Reuters, "Taiwan to Set Up \$200 Fund to Invest in Lithuania Amid Dispute with China," *Voice of America*, January 5, 2022, <https://www.voanews.com/a/taiwan-to-set-up-200-million-fund-to-invest-in-lithuania-amid-dispute-with-china/6384901.html>.

15 "Taiwan donates \$5 million towards rebuilding Ukraine with Lithuania," *Reuters*, June 1, 2023, <https://www.reuters.com/world/taiwan-donates-5-mln-towards-rebuilding-ukraine-with-lithuania-2023-06-01/>.

16 The Taiwan Relations Act is available at: American Institute in Taiwan, "Taiwan Relations Act," <https://www.ait.org.tw/policy-history/taiwan-relations-act/>.

17 Chou En-Lai and Ferdinand E. Marcos, "Joint Communique of the Government of the People's Republic of China and the Government of the Republic of the Philippines (Peking, June 9, 1975)," Embassy of the People's Republic of China in the Republic of the Philippines, http://ph.china-embassy.gov.cn/eng/zfgx/zzgx/200011/t20001115_1336097.htm.

illegal fishing, and collaborating on search and rescue. Taiwan's Coast Guard has many lessons to share with their international counterparts on operating in contested spaces.

For the United States:

- **Continue to emphasize asymmetric arms sales to Taiwan.** Given the ongoing lessons from the conflicts in Ukraine and Gaza, Taiwan and its partners should take these real-world examples and compare the successes and failures within the context of its defense strategy. The purchase of sea drones and sea mines for use in the Taiwan Strait, for example, would improve Taiwan's ability to deter or slow down an amphibious invasion. Taiwan needs additional Sentinel-class ships for the Coast Guard as China increases its maritime gray zone operations around Kinmen and in the Taiwan Strait. Washington should also consider internationalizing Taiwan's weapons procurement and create new strategies to help Taiwan's indigenous defense production grow.

For Taiwan's official allies:

- **Continue to pressure the United Nations over Taiwan's status.** Taiwan's remaining official diplomatic allies have the ability to exert pressure within the United Nations in ways that promote Taiwan's international partnerships. As the interpretation of Taiwan's international status via UN Resolution 2758 continues to change due to pressure from Beijing, Taiwan's allies enact letter-writing campaigns to the secretary-general complaining about the change in the meaning of the resolution. Taipei's allies also have made

progress in having Taiwan appear within national documents submitted to the United Nations, and they have welcomed Taiwanese government officials into UN meetings with their own national badges as a workaround to UN rules that prevent Taiwanese passport holders from entering UN buildings. Taiwan's unofficial partners should expand their support for these official allies who are making progress to expose these hypocrisies.

Regional Economics: Trade, Investment, and Key Industries

Where do regional actors perceive space for increased economic cooperation with Taiwan and what challenges could interfere with that development? Taiwan's economy depends on international trade—exports largely drive its economic growth—but lack of formal recognition impedes certain modes of economic participation, such as free trade agreements.¹⁸ Taiwan's comparative advantage in international investment and aid lies in its distinctly community-oriented approach. For example, investments in heat-resistant and saltwater-tolerant crops in Micronesia support the existing structure of local economies. Such aid demonstrates Taiwan's role as a responsible global citizen by substantively addressing transnational issues such as climate change.¹⁹ In Japan, Taiwan Semiconductor Manufacturing Corporation (TSMC) investments in Kyushu have fostered a “cultural and economic renaissance” for the region.²⁰ In Southeast Asia, investment efforts are deliberately focused on meeting the region's workforce development challenges by investing in human capital.

18 Joshua P. Meltzer, “Taiwan's Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership,” Brookings Institution, February 24, 2014, <https://www.brookings.edu/articles/taiwans-economic-opportunities-and-challenges-and-the-importance-of-the-trans-pacific-partnership/>.

19 See related projects at: Taiwan International Development and Cooperation Fund, “Palau Horticulture Extension Project,” <https://www.icdf.org.tw/wSite/ct?xItem=54769&ctNode=31665&mp=2>.

20 See: Sam Nussey, Fanny Potkin, and Sarah Wu, “TSMC Prizes Japan's Chips Skills After US Stumbles, Sources Say,” *Reuters*, September 12, 2023, <https://www.reuters.com/technology/tsmc-prizes-japans-chips-skills-after-us-stumbles-sources-2023-09-12/>.

Areas of Growth: Trade and Investment in Key Industries

States in the Indo-Pacific recognize that a successful Taiwanese economy contributes to the region's well-being. For example, Taiwan's economic success is fundamentally in Japan's strategic interest, and the increase in TSMC's involvement in Japan not only reflects these perceptions but also increases confidence and trust-building at the political level. Similarly, Vietnam identifies both semiconductors and the renewable energy sectors as prime areas for increased coordination. Yet, other regional actors, such as the Philippines, could face PRC backlash for increased cooperation with Taiwan's semiconductor industry given contested exclusive economic zones. Only with strong US backing for semiconductor investment in the Philippines would Manila consider stronger ties in the semiconductor industry with Taiwan. In cases like this, greater access to US markets would assist Taiwan's ability to increase its economic relations with countries that heavily rely on trade with China. The US Presidential Trade and Investment Mission to the Philippines is one mechanism for Washington to increase its economic relations with Indo-Pacific countries—as long as there are tangible results.

Aside from the semiconductor industry, other under-explored industries can bolster regional economic ties. For example, Malaysia is an important node in the global halal industry with both a large Muslim population and Chinese diaspora. Since 2017, Taiwan has sought entry into the global halal market partially facilitated by Taiwan's External

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Trade Development Council and Taiwan Halal Center.²¹ Companies seeking to break into the halal industry could consider partnerships with Malaysian companies, which have developed niche expertise in this industry.

For countries in Europe such as Lithuania, economic cooperation remains specialized in niche industries such as lasers and semiconductors. After Taiwan opened its "Taiwan Representative Office" in Vilnius in 2021,²² Beijing responded by blocking all bilateral imports and exports from Lithuania and imposed informal secondary sanctions.²³ Yet, Lithuania avoided severe economic harm largely because its economy is not overly dependent on China—a point it emphasizes when reminding the EU about the strategic risks of overreliance on China as an economic partner.²⁴ Taiwanese expertise in high-tech industries can complement the needs of industrialized economies seeking to diversify imports of strategic materials and technologies.

Participants agreed that Taiwan will continue its focus on economic growth and regional cooperation via the New Southbound Policy, a four-pillar initiative launched in 2016 to streamline and deepen Taiwan's regional economic engagement.²⁵

21 News Desk, "The Taiwan Halal Center Made a Significant Appearance at the 2023 MIHAS," *Global Village Space*, September 15, 2023, <https://www.globalvillagespace.com/the-taiwan-halal-center-made-a-significant-appearance-at-the-2023-mihis/>.

22 Taiwan has its unofficial economic and cultural offices in more than 20 countries across Europe.

23 Matthew Reynolds and Matthew P. Goodman, "China's Economic Coercion: Lessons from Lithuania," Center for Strategic and International Studies, May 6, 2022, <https://www.csis.org/analysis/chinas-economic-coercion-lessons-lithuania>.

24 Stuart Lau, "How Little Lithuania Dragged the EU into its Showdown with China," *Politico*, October 6, 2021, <https://www.politico.eu/article/lithuania-china-showdown-eu-impact/>.

25 Center for Strategic and International Studies, *Taiwan's New Southbound Policy: Deepening Taiwan Regional Integration* (Washington, DC: CSIS Report, January 2018), <https://southbound.csis.org/>.

While Taiwan's economic reliance on China continues to be a source of risk, Taipei is making concerted efforts to de-risk its outbound investment, and this effort is expected to continue under the Lai administration. Exports to China from Taiwan have drastically decreased—at around 35 percent after peaking in 2016 at 45 percent—and are rapidly rising in European and Southeast Asian countries. In South Asia, Taipei recently signed a memorandum of understanding with New Delhi on bilateral labor cooperation, intended to create a new channel for Indian migrant workers to pursue job opportunities in Taiwan.²⁶ India-Taiwan economic relations are increasingly prioritizing high-technology sectors such as semiconductors, electronics, and software.²⁷ One way that India has fostered economic ties with Taiwan is at the subnational level in order to circumvent some of the national-level tensions with Beijing.

In short, a focus on technical expertise in key industries, combined with community-based solutions in the region, is what distinguishes Taiwan as an attractive economic partner even in the face of Beijing's economic reprisals. Deliberate efforts to de-risk Taiwanese outbound investment, improve regional trade, and deepen nascent partnerships will continue to be priorities under Lai.

Risks and Challenges

Despite a shared regional perception that increased economic cooperation with Taiwan is both practical and advantageous, a number of potential hurdles to improving ties exist. First, mismatched expectations could lead to misunderstandings between what companies deem possible and what governments

deem practical. For example, while the Indian government is focused on advancing the economic relationship, it is hesitant to pair economic cooperation with increased visibility of political ties between New Delhi and Taipei. India is a member of the QUAD and is an important US partner in balancing China in the Indo-Pacific, but India also faces its own territorial dispute with China on its northwest border and thus is sensitive to engaging in behavior that would exacerbate those tensions. India, like many countries, calibrates the extent of cooperation with Taiwan partially through the lens of its relationship with China.

In addition to political will, a lack of on-the-ground familiarity with new markets could hinder Taiwanese economic expansion. Controversial remarks from a political leader can stymie private-sector investment, especially if Taiwanese companies are not familiar with the dynamics of foreign markets, such as in the India case. For example, in early 2024, Taiwan's minister of labor sparked controversy after making racialized comments suggesting that Taiwanese recruitment of Indian migrant workers would start with those in India's northeast due to similarities in "skin color and diets."²⁸ In some countries, such as the Philippines, indigenous industries need more "professionalization" and encouragement from their own governments in order to engage with Taiwan economically without fear of political consequences. In Southeast Asia, Taiwan's largest challenge to improving economic ties is moving up the value chain. While trade forms the foundation of bilateral economic relations across the region, technology transfers and workforce development can lift the visibility of Taiwanese products and support Southeast Asian countries' own development needs.

26 Marcin Jerzewski, "Walls Around the City Upon a Hill? Taiwan-India MOU on Labor Cooperation," *Europe Values*, March 5, 2024, <https://europeanvalues.cz/en/walls-around-the-city-upon-a-hill-taiwan-india-mou-on-labor-cooperation/>.

27 See: Shivshankar Menon, "Taiwan: An Indian View," Brookings Institution, December 16, 2022, <https://www.brookings.edu/articles/taiwan-an-indian-view/>; and Carnegie India, "Taiwan-India Economic Relations: Ushering in a New Era in an Election Year?" March 20, 2024, <https://carnegieindia.org/2024/03/20/taiwan-india-economic-relations-ushering-in-new-era-in-election-year-event-8253>.

28 Diksha Madhok and Wayne Chang, "Taiwan Wants to Hire Indian Workers. What's Skin Color or Religion Got to Do with It?" *CNN*, March 5, 2024, <https://www.cnn.com/2024/03/05/business/taiwan-minister-apology-indian-skin-tones/index.html>.

Finally, there is a need to form a collective understanding of how China weaponizes its position in the global economy and take concerted steps to push back against economic coercion. While there is agreement that economic relations with China can under some conditions pose a strategic risk, there is less clarity about what specific collective security measures are necessary and sufficient in the economic realm to preserve regional stability. Some have argued that collective economic resilience has reached a ceiling as China can anticipate the levers that others will lean on—such as the semiconductor industry—and can take measures to protect itself via strategic investments in its domestic economy.

Policy Recommendations

For Taiwan:

- **Encourage on-the-ground, community-oriented economic aid or relations.** Policies that mirror agricultural assistance in Palau, semiconductor cooperation in Japan, and workforce development in Malaysia are met with the highest political support due to their ability to address local needs and provide community support.

For Taiwan's International Partners:

- **Focus on economic relations that brand Taiwan as a responsible member of the global community.** Renewable energy and climate preparedness are industries ripe for continued cooperation given the global urgency of climate change. Taiwan's development into a thriving democratic island should provide models for other nation-states seeking similar modes of economic growth.

- **Build on bottom-up connections as a foundation for government-directed goals.** Private industry, trade organizations, and non-profits should take steps to familiarize Taiwanese companies with new markets and should communicate to their governments a stronger desire to engage with Taiwan.
- **Assist Taiwan in economic reforms to improve its Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) application.** Taiwan's application to join the CPTPP will face a number of political challenges due to its status, as well as a competing application from Beijing, so Taiwan's regional partners (including the United States, a non-CPTPP member) should work with Taiwan to meet the requirements for joining the trade pact.

For All Concerned Parties:

- **Be proactive about defining collective economic security.** Establishing clear roadmaps for collective economic security will clarify differences in regional perspectives and form a shared understanding about how to protect the region's economic resilience.
- **Prioritize bilateral trade agreements that focus on limiting trade barriers and increasing market access.** As Taipei seeks to negotiate free trade agreements with countries in the Indo-Pacific and Europe, one first step should include the reduction of trade barriers in both countries as well as greater market access. One example of this is the Tsai administration's 2020 lifting of import restrictions on US pork containing ractopamine. The restrictions had been in place since 2006, but the decision did not necessarily result in a reciprocal gesture by the United States.²⁹

29 Jennifer Shike, "Taiwan Lifts Ban on Ractopamine in U.S. Pork Imports," *Farm Journal's Pork*, August 28, 2020, <https://www.porkbusiness.com/news/hog-production/taiwan-lifts-ban-ractopamine-us-pork-imports>.

Conclusion

<< The more urgent problem is China's normalization of gray zone coercion and political warfare, which degrades the cross-Strait status quo. >>

The Lai administration is likely to continue many of the Tsai administration's foreign and economic policies while bolstering its defense capabilities and regional ties. While the DPP is often fractured over domestic policy issues, there is little-to-no ideological dissonance in the realm of national security.

There is a possibility China will use force against Taiwan in the future, but in the near term, there is no consensus among analysts about China's likelihood of using immediate force. The more urgent problem is China's normalization of gray zone coercion and political warfare, which degrades the cross-Strait status quo. China's material capacities, domestic support, and nationalistic tendencies are likely to influence its decision-making. Another unknown in the future of Taiwan's foreign policy and cross-Strait relations is the effect of the US presidential election in November 2024. While both Democrats and Republicans have formed a bipartisan consensus around supporting Taiwan and the status quo, the broader foreign policies of Joe Biden and Donald Trump will have direct reverberations for Taiwan and its ability to conduct its unofficial diplomacy around the world.

Yet, despite uncertainties and disagreement over Taiwan's future, public opinion in Taiwan remains fairly clear: less than 5 percent of the population supports unification with China as soon as possible according to National Chengchi University's Election Study Center.³⁰ This figure suggests that convincing Beijing that there are peaceful paths for unification will only become more challenging. At the same time, a distinct Taiwanese identity does not necessarily translate into support for Taiwan declaring formal independence. Many feel the best hope is maintaining the status quo. *Taiwan's Geopolitics after 2024: Election Implications for the Indo-Pacific and Beyond* demonstrates there is significant popular support for Taiwan's prosperity within states throughout the region and the world. While significant obstacles—particularly those emanating from Beijing—complicate the extent of feasible political support, countries are carefully evaluating how to best preserve peace and stability within the Taiwan Strait.

30 See: "Changes in the Unification-Independence Stances of Taiwanese as Tracked in Surveys by Election Study Center, NCCU," National Chengchi University, <https://esc.nccu.edu.tw/upload/44/doc/6962/Tondu202312.jpg>.

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**Participants also included individuals from the US Department of State, Lithuanian Ministry of Foreign Affairs, Embassy of Singapore, Embassy of Australia, and Taipei Economic and Cultural Representative Office.*

Survey Questions

Perry World House asked participants to fill out a short survey on key issues related to the theme of the workshop. The following figures are based on participants' responses. Not all participants answered all questions, and these charts should not be interpreted to represent any individual panelist's view.

Q:

Taiwan's new president will have what effect on the development of cross-Strait relations?



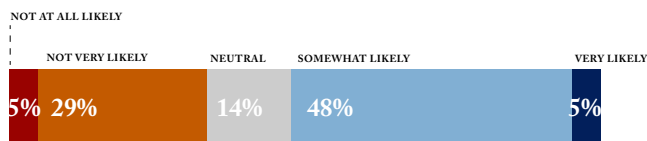
Q:

Will Taiwan's president meet face-to-face with Xi Jinping over the next four years?



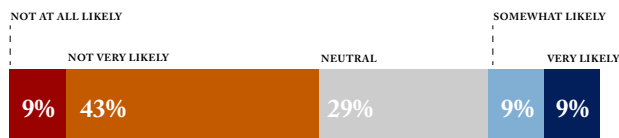
Q:

How likely is it that a country will switch formal recognition from Beijing to Taipei in the next four years?



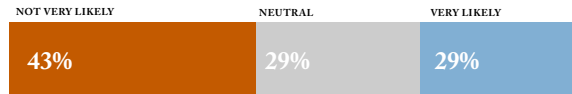
Q:

How likely is Taiwan to be invited (and participate) as a guest/observer in United Nations-affiliated organizations (like the WHO/WHA, Interpol, ICAO, etc.) over the next four years?



Q:

How likely is Taiwan to be accepted as a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) over the next four years?



Q:

Will Taiwan be accepted as a member before China?



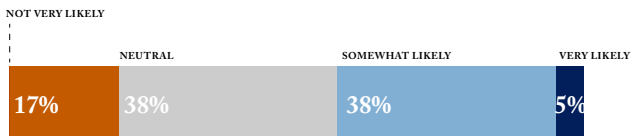
Q:

How likely is a full-scale military invasion of Taiwan by the People's Republic of China in the next four years?



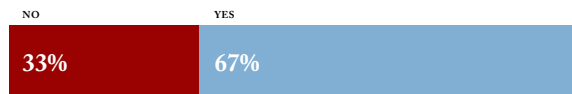
Q:

How likely is it that Taiwan will participate in joint military exercises (bilateral, trilateral, or multilateral) over the next four years?



Q:

Will the president of Taiwan be re-elected in four years?





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