

# COMPARATIVE

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## C O N N E C T I O N S

A TRIANNUAL E-JOURNAL OF BILATERAL  
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CHINA-TAIWAN RELATIONS

### INCREASING PERILS AHEAD

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Lai Ching-te insisted at his May inauguration that Taiwan is sovereign and not subordinate to China. Beijing reacted by increasing cross-Strait tensions. China's latest rounds of military exercises make clear that it is preparing to use force or at least gray-zone intimidation to effect reunification. Taiwan's opposition Kuomintang continued unofficial contacts with the Chinese Communist Party, seeking reconciliation but risking aiding China's efforts to fragment Taiwan. Taiwan's TSMC continues to expand in Taiwan and overseas in ways that keep it at the center of the global high-tech economy. Taiwan has increased its purchases of military equipment from the US and opened negotiations on a bilateral tax agreement. Beijing views US support for Taiwan as collaboration in Lai's separatism. US President-elect Donald Trump has said that Taiwan stole the production of semiconductors from the US and should pay for US military support. However, this animus may be balanced by the outspoken Taiwan supporters he has chosen for his national security team. Can Taiwan overcome its internal divisions and Trump's Taiwan skepticism? Can China, Taiwan, and the US step back from a confrontational spiral? None of this will be easy, but failure may put Taiwan's future at risk.

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## Lai Ching-te's Inaugural Address and Cross-Strait Relations

The most important development in relations between Taiwan and China over the past six months has been the inauguration of Taiwan's new president, Lai Ching-te, and China's reaction. Lai was elected on Jan. 13 to succeed Tsai Ing-wen and continue the Democratic Progressive Party's (DPP) leadership of Taiwan's government. In his inaugural address on May 20, Lai echoed themes familiar from Tsai's presidency. [Lai began by proclaiming](#) that the people of Taiwan had elected him as "president of the Republic of China in accordance with the Republic of China Constitution system" and that "the Republic of China Taiwan is a sovereign, independent nation in which sovereignty lies in the hands of the people." He praised the people of Taiwan "for refusing to be swayed by external forces." He promised to "continue working with other democratic nations to form a democratic community."

Recalling "Russia's invasion of Ukraine and conflict between Israel and Hamas," Lai warned that "China's military actions and gray-zone coercion are considered the greatest strategic challenges to global peace and stability." And "no one wants [Taiwan's] achievements to be destroyed by war." Lai promised that his new government would uphold [Tsai's Four Commitments](#), which include that "the ROC (Taiwan) and the [the People's Republic of China] PRC [should not be subordinate](#) to each other." Continuing to echo Tsai's words, Lai said that Taiwan would "neither yield nor provoke, and maintain the status quo." What Lai did not say May 20 was that his administration would continue conducting cross-Strait relations on the basis of the ROC Constitution and Cross-Strait statute.

Lai then issued a challenge to Beijing: "I hope that China will face the reality of the Republic of China's existence, respect the choices of the people of Taiwan, and in good faith, choose dialogue over confrontation, exchange over containment, and under the principles of parity and dignity, engage in cooperation with the legal government chosen by Taiwan's people."

Using language apparently designed to appeal to Washington, Lai concluded that "Taiwan is strategically positioned in the first island chain, and what affects us here affects global

geopolitical development," and Taiwan remains "a frontline guardian of world peace."



Figure 1 In his inauguration speech, Taiwan's new President Lai emphasized China must stop military intimidation. Photo: PBS News.

### To Beijing, Lai Looks Just Like Tsai

Beijing undoubtedly read Lai's words as a continuation of the policies in [Tsai's first inaugural address](#) in 2016. Lai's call for dialogue almost certainly reminded Beijing of Tsai's offer to open a dialogue based on her reading of cross-Strait talks starting in 1992.

Tsai had promised "to maintain the existing mechanisms for dialogue and communication across the Taiwan Strait," including the "various joint acknowledgments and understandings" reached by the two sides in 1992 as well as the "over twenty years of interactions and negotiations" since 1992. She called on China to "set aside the baggage of history and engage in positive dialogue, for the benefit of the people on both sides."

Because Tsai did not identify the outcome of the 1992 talks as "the 1992 Consensus," a term coined by a KMT commentator almost a decade afterward and then adopted by Beijing, China's Taiwan Affairs Office (TAO) [rejected Tsai's offer](#) out of hand. It insisted that Taiwan acknowledge itself part of "one China," which Tsai refused to do. Beijing sees Lai's offer of dialogue as more of the same.

### Lai's Inaugural Speech and Reactions Were Predictable

In the wake of Lai's inaugural speech, [the TAO responded in the same vein](#) as they had to Tsai eight years earlier: "The Democratic Progressive Party stubbornly adheres to the separatist

position of ‘Taiwan independence,’ refuses to recognize the ‘1992 Consensus’ that embodies the one-China principle . . . spreads separatist fallacies, incites confrontation between the two sides of the Taiwan Strait, and attempts to ‘rely on foreign countries to seek independence’ and ‘seek independence by force.’” Chinese Foreign Minister [Wang Yi was even more outspoken](#): “The treacherous acts of Lai Ching-te and his ilk, who betray the nation and their ancestors, are despicable” (translation from 5-21-2024 Sinocism.)

Lai’s critics in Taiwan worried that his speech might have weakened any chance for cross-Strait dialogue. Lai’s speech was “[tougher than expected](#)” and might be “moving towards a sovereign nation without formally declaring independence under the name of Taiwan,” according to James Yifan Chen at Tamkang University.

The US State Department [congratulated](#) Lai and Taiwan: “The United States congratulates Dr. Lai Ching-te on his inauguration as Taiwan’s fifth democratically elected president. We also congratulate the Taiwan people for once again demonstrating the strength of their robust and resilient democratic system.” *The Wall Street Journal* [captured the US reaction](#) in its headline: “Taiwan’s New President Serves Up Predictability in Era of Turmoil.”

Perhaps the single most striking feature of Lai’s inaugural address and the reactions to it was the sense that there is no longer any hope for dialogue. Taiwan’s offer to open a dialogue were offered not for Beijing but to appear responsible in the eyes of Taiwanese independents and foreign audiences, most importantly the US. Lai and the TAO both seemed well aware that Beijing’s prerequisites for dialogue—acknowledging the 1992 Consensus by name and describing Taiwan as part of “one China”—were simply not feasible politically for a DPP president of Taiwan in 2024.

### Lai’s National Day Speech Offered Half an Olive branch

On Oct. 10, Lai gave his second major speech of the year on the National Day of the Republic of China. Lai said that the ROC [began in 1911](#), when a group of democratic dreamers in China overthrew the Qing Dynasty; it was defended in 1949, when ROC soldiers defended the island of Kinmen; and it claimed its democracy in 1979

when Taiwan dissidents demonstrated in Kaohsiung to celebrate International Human Rights Day. For Lai, the message was clear: Taiwan’s democracy is the fulfillment of the aspirations of the founders of the ROC in 1911, a dream that began before the Chinese Communist Party was founded. In doing so, Lai linked Taiwan with China in a way no DPP leader before him had done. When President Tsai celebrated the National Day of the Republic of China in 2023, she praised “[the unwavering spirit](#) that has underpinned the Republic of China since establishing itself in Taiwan 74 years ago,” words which seemed to suggest that for her the ROC was only the ROC after it came to Taiwan and was distinct from the ROC in China.



Figure 2 Taiwanese soldiers salute during National Day celebrations in front of the Presidential Building in Taipei, Taiwan, October 10, 2021. Photo: AP, Chiang Ying-ying.

Although the dream began in China, Lai made it clear that today it was not the dream of China’s current rulers but instead “the dream that Taiwan’s 23 million people all share.” To drive home that point, Lai said again that “the Republic of China and the People’s Republic of China are not subordinate to each other. On this land, democracy and freedom are growing and thriving. The People’s Republic of China has no right to represent Taiwan.” In short, Beijing’s one-China principle does not apply in Taiwan.

The rhetorical and military responses from China were predictable and unmistakable. According to the TAO, Lai “continued to advocate the ‘[new two-state theory](#)’ of “mutual non-subordination” in his speech [and] fabricated the fallacy of “Taiwan independence.” The US [rebuke to the TAO](#) was equally predictable: “The PRC response with military provocations to a routine annual speech is unwarranted and risks escalation.” The spokesperson for China’s Ministry of Foreign Affairs (MOFA) responded in kind: The US should “[stop arming Taiwan](#) and stop sending any wrong signal to the ‘Taiwan independence’ separatist forces.”

## Two Double-edged Sword Exercises

Both Lai's inaugural speech and his Oct. 10 National Day speech were followed by large-scale military exercises launched by China's People's Liberation Army (PLA), dubbed Joint Sword 2024a and 2024b. China's designating these exercises Joint Sword 2024a and 2024b linked them to the [Joint Sword 2023 exercise](#) that the PLA conducted in the wake of President Tsai's meeting with US Speaker of the House Kevin McCarthy in April 2023 and less directly to the extended PLA exercise in the aftermath of Speaker Nancy Pelosi's visit to Taiwan in August 2022.



Figure 3 The Chinese People's Liberation Army (PLA) launched 'Joint Sword-2024B' military drills near Taiwan on Monday, the country's Defense Ministry said in a statement. Photo: MEHR News Agency.

The exercises had two purposes. The first was propaganda. [China's foreign ministry described Joint Sword 2024a](#), launched three days after Lai's inauguration as "a necessary and legitimate move to safeguard national sovereignty and territorial integrity, crack down on 'Taiwan independence' separatist forces and their separatist moves, and send a warning to external interference and provocation." The second purpose of Joint Sword 2024a was to strengthen PLA capabilities to interdict commercial traffic in the Taiwan Strait and between Taiwan and the islands it controls near the Chinese coast. For the first time, the exercise incorporated Chinese Coast Guard vessels, which practiced inspections of foreign vessels.

Joint Sword 2024b was the briefest in the Joint Sword series to date, occurring over a 13-hour period on Oct. 14, but it was nonetheless intense. [The exercise included 125 PLA aircraft](#) flying close to Taiwan, a new single-day high, as well as 14 PLA navy vessels and an additional 12 Chinese government vessels operating near the island. Perhaps the most striking aspect of the exercise

was that [Chinese Coast Guard vessels completely surrounded](#) Taiwan in an apparent effort to practice the deployment that would be required to blockade the island. The progressive expansion of the Chinese Coast Guard role also may signal that China is treating the Taiwan Strait and the area around Taiwan as internal waters and therefore within the purview of its law-enforcement activities. More ominously, the PLA and the Chinese Coast Guard appear to be systematically intensifying military activity in ways that will make them better able to shift quickly from gray-zone intimidation to directly coercive military actions against Taiwan and against foreign merchant and military approaching near Taiwan.

## Fishing is Risky Near Offshore Islands

The increasing presence of the PLA Navy and the Chinese Coast Guard in waters around Taiwan's Kinmen (also known as Jinmen or Quemoy) and Matsu islands near the Chinese coast and the Penghu islands in the middle of the Taiwan Strait have made these waters and the Taiwanese who fish there an ever more prominent flashpoint. On May 29, [Taiwan's Coast Guard warned two PLA vessels](#) to retreat from restricted waters they had entered near Kinmen. A month later, [four Chinese Coast guard vessels](#) sailed to within five miles of Kinmen despite Taiwanese Coast Guard attempts to warn them off. On July 2, the Chinese Coast Guard [seized a Taiwanese fishing vessel](#) in what it said were Chinese waters near Kinmen. In a rare US comment on such incidents, the White House spokesperson told reporters it was monitoring the situation. The Taiwanese ship, which had sailed from the Penghu islands, and its crew were seized and held for over a month; [the captain was detained until mid-November](#). In one sense, these sorts of fisheries incidents have been business as usual for some time, but the increasing prominence of the PLA Navy and Chinese Coast Guard as agents of gray-zone coercion means that each incident risks becoming a cross-Strait crisis. Even the release of detained fishermen, once a matter of several hours, is now delayed by days or months. China is increasingly choosing to negotiate such releases with KMT local officials as part of United Front efforts to treat Taiwan's KMT opposition as the only intermediary they will deal with.



Figure 4 Chinese coast guard ships entered prohibited or restricted waters around Taiwan's frontline islands of Kinmen on Monday, a Taiwan minister told reporters on Tuesday amid a rise in tension with Beijing. Photo: Ted Aljibe | Afp | Getty Images.

### Opposition KMT Challenges Lai and the DPP—Wise Counsel or Risk?

The Jan. 13 elections gave the opposition KMT effective control of the Legislative Yuan (LY), the national legislature. The KMT immediately used its control of the LY to challenge the DPP government. KMT attempted to legislate laws making the executive branch under President Lai more accountable to the LY. These efforts were opposed by the Lai administration as a power grab, and his administration appealed the proposed rules to Taiwan's Constitutional Court, which for the most part [found the rules unconstitutional](#). The KMT has also initiated a series of challenges to the government budget submitted by Lai's Premier Cho Jung-tai. [The two sides reached a compromise](#) on Nov. 8, enabling the LY review of the budget to proceed. However, this skirmish portends a deadlock that could threaten Taiwan's ability to increase defense spending as both the DPP and KMT say they are committed to do.

The opposition KMT also criticized Lai's approach to China as it had criticized Tsai's. In response to Lai's inaugural address, former President Ma Ying-jeou [challenged Lai's cross-strait approach](#): "He should have dialogue with the government across the Strait by returning to historical and cultural common ground with the Chinese. Only in this manner can there be a chance for peace in the Taiwan Strait." In November, Ma invited China to send a delegation of students to visit Taiwan, [reciprocating the visit](#) of Ma and Taiwan students this April during which Chinese President Xi Jinping had a high-profile meeting with Ma. After a flurry of

concerns that the Chinese Communist Party had handpicked the students, which they obviously had, Taiwan's Mainland Affairs Council (MAC) approved the visit. The MAC then [invited China](#) to allow Chinese students to study in Taiwan on a regular basis, but China has thus far not responded. Former KMT leader of the LY Wang Jinping also visited China, and [a delegation from Shanghai is scheduled to visit Taipei](#) in December in another signal that China welcomes contacts with KMT politicians such as Taipei Mayor Chiang Wan-an.

Although China welcomed KMT visitors, it issued a stark warning that others might not be welcome. A month after Lai's inauguration, China [issued regulations](#) to enforce the Anti-Secession Law it promulgated in 2005. These guidelines "detailed the steps it might take to punish supporters of Taiwanese self-rule. The new rules adopted by China authorize execution for what it describes as exceptionally severe cases of Taiwanese separatism, though they do not say exactly what actions might constitute a severe offense." After a member of a tour group from Taiwan was detained in China in early June without explanation, [Taiwan's MAC issued a warning](#) to anyone considering travel to China. On Aug. 3, [a Chinese court sentenced a Taiwanese](#), Yang Chih-yuan, to nine years in prison for what it identified as pro-independence activities, specifically because Yang had helped organize the Taiwan National Party. Yang had been in China to teach Go. On Sept. 1 [China detained an executive](#) from Formosa Plastics without explanation.

### Can Taiwan Acquire the Military Equipment It Needs?

As the wars in Ukraine and the Middle East have continued to challenge the ability of the US to supply needed weapons systems to its allies and partners, the US State Department acknowledged that ["insufficient production capacity"](#) had slowed weapons deliveries to Taiwan. That backlog was reported to have [reached \\$20.5 billion](#) by August. Speaking virtually to an AI forum in Washington two months earlier, Taiwan's Vice President-elect Bihxim Hsiao [bemoaned](#) "deficiencies in the traditional US defense industry production base," saying that they meant that "the current US defense industry base is producing neither enough nor on time the hardware to meet global demand." She called for the US manufacturers to enter into coproduction arrangements with Taiwan companies.

[The US Department of Defense \(DOD\) Inspector General found](#) that not only the speed but also the quality of deliveries was deficient, stating “the DOD’s delivery of non-mission-capable items [as part of Presidential Drawdown authority] to Taiwan inhibits the DoD’s ability to achieve its security cooperation goals and risks degrading Taiwan’s confidence in the United States.” At least one US defense industry analyst said that [the delivery deficit had been cut](#) to approximately \$9 billion since then, due less to any corrective actions and more due to the normal process of transferring equipment and munitions ordered earlier.

Despite these acknowledged difficulties, on Sept. 27 [the US committed to provide Taiwan up to \\$567 million](#) in defense articles and services under Presidential Drawdown Authority in 2024, its largest assistance package ever for Taiwan, following its commitment of \$345 million in 2023. On June 18, the US Defense Security Cooperation Agency (DSCA) offered to sell Taiwan anti-personnel Switchblade drones and anti-armor Altius drones, together worth \$360 million. [These contracts were then signed](#) by Taiwan on Oct. 15 and would expand Taiwan’s acquisition of asymmetric defense capabilities.

### **Biden Administration Lends Support to Lai Government**

Relations between Lai’s new government from the Biden administration have started on a positive note. In August, Taiwan Foreign Minister Lin Jia-lung and National Security Advisor Joseph Wu held security talks with senior Biden officials outside Washington, according to the *Financial Times*. The most recent gathering under this “Special Channel” convened in February 2023. In early December, the Biden administration afforded Lai courteous treatment during his transits through Hawaii and Guam en route to Taiwan’s South Pacific allies. Biden officials have viewed Lai as basically maintaining Tsai Ing-wen’s pragmatic and responsible approach toward cross-Strait relations.

On the other hand, Washington has uniformly viewed Beijing’s behavior toward Lai as belligerent, prompting demonstrations of support. Notably, US Navy vessels continue to sail through the Taiwan Strait individually and with partner nations. The week following the PLA’s brief yet expansive Joint Sword 2024B exercises in mid-October, a US Navy destroyer

and a Canadian frigate transited the Taiwan Strait on Oct. 20. The PLA reacted with live-fire drills nearby Pingtan island off Fujian province two days later.

### **Trump’s Support Less Certain**

Donald Trump’s election has added further uncertainties. On June 25, Trump told *Bloomberg Businessweek* that “[I think Taiwan should pay us for defense](#). You know, we’re no different than an insurance company.” As Trump has assembled his national security team, his choices overwhelmingly reflect a far stronger commitment to defending Taiwan and a far greater emphasis on reinforcing Taiwan’s military capabilities as part of the first island chain. Secretary of State Designate Marco Rubio and National Security Advisor Designate Michael Waltz are both generally identified as China hawks and advocates for increased US military sales to Taiwan. On the sidelines of the Republican Convention, [Rubio told Fox News](#), “I don’t have any worries about the US being supportive of Taiwan and doing everything we can to discourage the Chinese from invading.” In addition to the impact of his own nominations, Trump will walk into a US defense establishment already intently focused on defending Taiwan. Adm. Samuel Paparo, head of the US Indo-Pacific Command, [told The Washington Post](#) that “I want to turn the Taiwan Strait into an unmanned hellscape using a number of classified capabilities, so that I can make their lives utterly miserable for a month, which buys me the time for the rest of everything.”

Trump’s former National Security Advisor, Robert O’Brien, put a positive spin on Trump’s remarks to *Bloomberg*, saying that [Trump was simply calling for burden sharing](#), adding that Taiwan should increase its defense spending to 5% of gross domestic product. The Taiwan government counters that it is already at 2.5% of GDP and that President Lai proposed an increase of 6% on that. Nonetheless, David Sacks of The Council on Foreign Relations [captured the attitude of American analysts](#): “The consensus is that Taiwan is still not taking the existential threat that it faces seriously enough and should raise defense spending far more rapidly.”

### **Can Taiwan Build the Military Capability It Needs?**

Over the past six months, Taiwan has taken a number of steps that suggest it is beginning to

reform its approach to its defense. President [Lai chose a civilian Minister of National Defense](#), Wellington Koo, who had served Tsai as National Security Advisor since 2016. Earlier efforts to reform the military by imposing a civilian minister of National Defense by President Lee Teng-hui (KMT) in the early 1990s and by President Chen Shui-bian (DPP) in 2008 both faltered, but there is hope that Koo's extended service under Tsai may enable him to break the resistance of the uniformed military to civilian oversight and modernize the force. Koo's announcement that the ROC military would [end goose-step marching](#) and bayonet training was considered a symbolic watershed.

In domestic procurement, [Taiwan commissioned two naval corvettes](#) equipped with *Hsiung-feng* anti-ship missiles, designed to counter the PLA's growing fleet of aircraft carriers. These two will join four already in service, and Taiwan's MND has said it expects to add five more of these corvettes by the end of 2026.

### **Beyond Defense Spending and Acquisitions**

On Sept. 26, President Lai convened the first meeting of a special [committee to strengthen civil defense and resilience](#) on the island. Its task is to integrate civilian forces into responses to potential attacks from Beijing, manage emergencies, and maintain social order and stability. The plan would train 400,000 civilians to respond to a civil or military emergency. Taiwan civil society began a series of initiatives that would complement the government's efforts. On Facebook, one group, [the Kuma Academy, explained](#) that it was "awakening the spirit of resistance in Taiwanese society." [China's Taiwan Affairs Office \(TAO\) responded by sanctioning](#) Taiwanese businessman Robert Tsao Hsing-cheng, who founded United Microelectronics Corporation (UMC), and Taiwanese lawmaker Puma Shen for funding and organizing the group.

The darker side of Taiwan's response to China's increasing campaign of gray-zone intimidation may be glimpsed in the trailer for [a TV miniseries, Zero Day, planned for 2025](#). It will offer a dystopian view of how China might concoct an excuse to blockade and then invade Taiwan, all the while barraging Taiwan with defeatist disinformation through broadcast and social media.

### **Strong US-Taiwan Economic Ties Make Further Progress**

Following an intensive in-person [negotiating round](#) in Taipei in early May, US and Taiwan trade negotiators continued discussions on the labor, environment, and agriculture provisions of The 21<sup>st</sup> Century Trade Initiative. A follow-on negotiating round did not convene as anticipated, indicating gaps remain. In November, US Trade Representative (USTR) Katherine Tai met her new Taiwanese counterpart, Minister without Portfolio Jen-ni Yang, in Peru at the Asia Pacific Economic Cooperation Forum (APEC) trade ministerial. The USTR [readout](#) notes the "important progress" achieved under the trade initiative to date but gives no indication of future talks. Separately, the trade initiative's [first agreement](#), signed in June 2023, is poised to go into effect by the end of 2024 following certification by USTR and a final nod from the US Congress.

The US Treasury Department in late October [announced](#) the launch of negotiations with Taiwan on a comprehensive double taxation agreement. Long sought by Taipei, a double tax agreement had struggled to gain traction inside the US government. Views have shifted with the expanding footprint of TSMC and its suppliers in the United States since 2021. In addition, Congress this year inched closer to legislating adjustments to the US tax code that would benefit Taiwan investors in the United States. Such Congressional action could not address the double taxation concerns of US investors in Taiwan without action by Taiwan's government, presumably after reaching agreement with the US. The Treasury Department's announcement specifically touts the prospective agreement's tax benefits for small and medium-sized Taiwan firms within the US semiconductor supply chain. A first round of negotiations is expected before the end of the year, and the final agreement will require the blessing of Congress.

The booming US-Taiwan commercial relationship, supported by a handful of active governmental dialogues, could face headwinds if President Trump follows through on a campaign promise to impose a 10-20% tariff on all US imports. Taiwan's export-driven economy has grown increasingly reliant on the United States in the last half dozen years, with exports to the US poised to exceed \$100 billion in 2024. At the same time, Trump has pledged even higher tariffs on China, which could cause Taiwan firms

supplying the US market from China to shift manufacturing back to the island. The Lai government has [expressed](#) interest in a second trade agreement with the United States, but trade negotiations with the second Trump administration could invite scrutiny of the growing US-Taiwan trade imbalance and pressure on Taiwan to purchase more US goods.

### **TSMC Deepens Its Alignment with the United States**

Taiwan Semiconductor Manufacturing Company brought online its first fab (semiconductor production plant) in Arizona during the fall, after having overcome a myriad of labor disputes and construction delays since 2021. Initial output batches have shown chips with slightly higher yields, meaning fewer defects per wafer, than the leading TSMC fabs in Taiwan. In a vote of confidence for TSMC's Arizona site, the US Commerce Department on Nov. 15 [finalized](#) a \$6.6 billion cash subsidy it had provisionally offered to the Taiwanese chipmaker earlier in the year.

TSMC's reputation took a hit, however, when Canadian news platform TechInsights discovered a TSMC-manufactured chip inside Huawei's latest AI processor in October. TSMC launched an internal investigation and identified Sophgo Technologies, a Chinese customer, as the culprit. TSMC promptly stopped shipments to Sophgo and notified the US Commerce Department, which has imposed extensive export controls on Huawei since 2019. On Nov. 10, TSMC reportedly received a letter from the Commerce Department's Bureau of Industry and Security requiring it to suspend advanced semiconductor sales to all Chinese customers manufacturing AI processors. This so-called "is informed" letter has underscored the US government's expectation that TSMC and other chip suppliers will conduct thorough "know your customer" checks and remain vigilant. TSMC appears unlikely to face penalties over this incident.

The incoming Trump administration will likely prioritize the continued onshoring of chip manufacturing. Trump, without evidence, accused Taiwan of "stealing the US chip industry" while on the 2024 campaign trail. He also described CHIPS funding incentives as "so bad" and instead called for tariffs on imported semiconductors to spur domestic manufacturing. Taiwan's commanding lead in

advanced semiconductors and TSMC's now finalized contract with the US Commerce Department on its \$6.6 billion subsidy provide some safeguards. A more acute risk could be pressure on TSMC to begin in Arizona production of its most cutting-edge chips, at the 2-nanometer level, ahead of the scheduled 2030 target date.

### **Perils Ahead**

As we conclude this series of periodic updates on Taiwan and its relationship with China, cross-Strait conditions are more perilous than they have been since 1950 when the US inserted the Seventh Fleet into the Strait at the beginning of the Korean War.

Under President Lai, and almost any successor imaginable, Taiwan will continue to develop its political identity as a responsible and de-facto independent member of the global order. China will continue to insist it has the unilateral right to control Taiwan. It will expand its efforts to move Taiwan toward what it calls peaceful reunification without any prospect of success. Anticipating failure, China will continue expanding its military capability to compel reunification. Taiwan's survival will rely on its ability to build and arm a military sufficient to deter and, if necessary, resist PLA military action. Taiwan's efforts to ensure a peaceful status quo will depend well on its growing economic and high-technology importance as well as the support and US partner and allies. The US will find that its high technology economy is increasingly dependent on Taiwan and that supporting Taiwan is a useful component of its economic and strategic pressure against China.

This triangular clash portends a growing risk that cross-Strait political confrontation might become a military confrontation, devastating China, Taiwan, and their neighbors in East Asia and undermining US regional leadership. Is Taiwan willing to spend enough and strengthen its social cohesion and resilience to deter a Chinese assault or blockade or, if necessary, to delay one long enough for the US to choose to intervene? The challenge for Taiwan and China will remain what it has been since 2000, at least. Can they argue over their incompatible visions for Taiwan's future without undermining their stability and prosperity? Will the US under a second Trump administration continue the US policy of "strategic ambiguity" or "dual deterrence" without dragging Taiwan into its



own intensifying confrontation with China? Will China and the US find that their broader geostrategic and economic interests sufficiently outweigh their dissatisfaction with the cross-Strait status quo and trends to enable them to kick the can down the road? Finally, can wisdom and compromise overcome intransigence on all three sides?

# CHRONOLOGY OF CHINA-TAIWAN RELATIONS

## MAY-NOVEMBER 2024

**May 1, 2024:** Taiwan's Mainland Affairs Council (MAC) reminds Taiwanese of the risks of traveling to China after the PRC's enactment of an amended States Secrets Law.

**May 10, 2024:** Taiwanese TV and movie actor Wu Mu-hsuen was recently forced to sign a pledge to support China's territorial claim on democratic Taiwan or see her Chinese hit show "Hey! Come a Bit Closer" be banned.

**May 14, 2024:** US sources reveal that the US and Taiwan navies quietly held joint Pacific drills.

**May 20, 2024:** Dr. Lai Ching-te is inaugurated as the fifth democratically elected president of the Republic of China. In his inaugural address, Lai calls on China to "face the reality of the Republic of China's existence." China's Taiwan Affairs Office (TAO) says that Lai's speech "incites confrontation."

**May 22, 2024:** China sanctions 12 US companies for arms sales to Taiwan, saying they come after US sanctions on Chinese companies for sales to Russia.

**May 23, 2024:** China's People Liberation Army (PLA) launches Joint Sword 2024a to "punish" Taiwan after Lai's inauguration.

**May 31, 2024:** China terminates preferential tariffs on 134 items granted as part of the Economic Cross-Strait Framework Agreement (ECFA) saying that Lai had failed to acknowledge the "1992 Consensus."

**June 13, 2024:** In an interview with *The New York Times*, Republican Vice-Presidential candidate JD Vance says, "Our policy effectively is one of strategic ambiguity."

**June 17, 2024:** Taiwan Defense Minister Wellington Koo tells the Legislative Yuan that

Taiwan expects to receive all 1,700 TOW 2B missiles and 100 launchers by year end following a two-year delay.

**June 20, 2024:** Taiwan's MAC says that at least eight Taiwanese retired military and police personnel have been detained in China in the past year and urged caution for all travelers with similar backgrounds.

**June 21, 2024:** China issues regulations implementing its 2005 Anti-Secession Law and imposing criminal punishments on "diehard Taiwan independence separatists."

**July 1, 2024:** Taiwan media report that a total of 120,000 reservists are expected to be called up for alternative reserve drills this year, compared with the 6,505 who drilled last year.

**July 18, 2024:** The Wall Street Journal warns: "The fall of Taiwan to the Communist Party would mark the end of America's Pacific alliance system, which has produced 80 years of mostly peace."

**July 18, 2024:** Taiwan and Japanese coast guards have conducted their first joint training.

**Aug. 14, 2024:** Premier Cho Jung-tai says that Taiwan is open to Chinese tourists, students, and religious practitioners.

**Aug. 22, 2024:** Taiwan Foreign Minister Lin Chia-lung and National Security Council Secretary-General Joseph Wu travel to the Washington area for "special channel" talks.

**Aug. 26, 2024:** Wang Yitai, a Chinese rapper, was denied entry into Taiwan for a concert after he used the term "Taipei, China" in his promotional materials.

**Aug. 26, 2024:** [Chinese sentences Taiwanese political activist Yang Chih-yuan](#) to a nine-year prison term on charges of secession.

**Aug. 31, 2024:** A mention of [“Taiwan/Republic of China”](#) is removed from the final communique of the annual Pacific Island Forum (PIF) meeting because of Chinese objections.

**Sept. 1, 2024:** Taiwan President [Lai urges China to reclaim land given to Russia](#) by the Qing dynasty through an unequal treaty if it wants to claim Taiwan to secure territorial integrity.

**Sept. 2, 2024:** China resumes Taiwanese pomelo imports ahead of Mid-Autumn Festival in response to requests by Taiwan’s Nationalist (KMT) party officials.

**Sept. 13, 2024:** Germany confirms that two of its naval vessels sailed through the Taiwan Strait, the first German ships to transit the Strait in 22 years.

**Sept. 26, 2024:** Taiwan’s Whole of Society Defense Resilience Committee meets for the first time.

**Oct. 12, 2024:** Former Taiwan President Tsai Ing-wen travels to the Czech Republic.

**Oct. 10, 2024:** In his first 10/10 National Day speech as president, [Lai recalls](#) that the ROC was built by idealists in China and Taiwan.

**Oct. 11, 2024:** Lai thanks veterans during a visit to the Taoyuan Veterans Home.

**Oct. 12, 2024:** Britain [asks](#) that a visit by Tsai be “deferred” to avoid angering China.

**Oct. 14, 2024:** China [sanctions](#) businessman Robert Tsao and DPP lawmaker Puma Shen for organizing the Kuma Academy, which helps Taiwanese learn how to respond to a natural disaster or a Chinese attack.

**Oct. 15, 2024:** China’s Joint Sword 2024b exercise is [brief](#), half a day, but intense with the largest

number of PLA aircraft flying near Taiwan ever in a single day. It was equal parts propaganda and training.

**Oct. 20, 2024:** US and Canadian warships [transit](#) the Taiwan Strait.

**Oct. 25, 2024:** Lai [commemorates](#) the 1949 battle of Guningtou on Kinmen Island in which a PLA amphibious assault was repelled. He vows that the ROC “will not cede an inch of ground.”

**Oct. 29, 2024:** French frigate [Prairial transits](#) the Taiwan Strait.

**Oct. 31, 2024:** [TAO Director Song Tao tells media](#) from China and Taiwan that they should advance Taiwan’s unification with China and “build a shared consensus that both sides are Chinese.”

**Nov. 7, 2024:** US Department of Agriculture, Department of Commerce, and Department of State issue a joint letter to US state and local government officials, mayors, and Fortune 500 CEOs to invite them to strengthen trade and investment ties with Taiwan.

**Nov. 11, 2024:** Taiwan’s [investigative Control Yuan concludes](#) that Taiwan’s Coast Guard was guilty of “severe lapses” that resulted in the death of two Chinese fishermen near Kinmen Island on February 14.

**Nov. 11, 2024:** [TAO Director Song Tao meets Wang Jin-pyng](#), KMT politician and former head of Taiwan’s Legislative Yuan.

**Nov. 23, 2024:** Former President Tsai says the US should prioritize assisting Ukraine during a speech in Halifax during her visit to Canada.

**Nov. 27, 2024:** Forty Chinese students arrive in Taiwan at the invitation of Former President Ma Ying-jeou.

**Nov. 28, 2024:** TSMC has informed both the Taiwan and US governments that it intends to begin [producing 2-nanometer semiconductors in the US](#) in 2028.

Nov. 30, 2024: President Lai stops in Honolulu  
during his first foreign trip as president.