

## The political economy of Taiwan's regional relations

Alexander C. Tan, Karl Ho & Cal Clark

To cite this article: Alexander C. Tan, Karl Ho & Cal Clark (2020) The political economy of Taiwan's regional relations, Asian Affairs: An American Review, 47:3, 177-200, DOI: [10.1080/00927678.2020.1755123](https://doi.org/10.1080/00927678.2020.1755123)

To link to this article: <https://doi.org/10.1080/00927678.2020.1755123>



Published online: 25 Apr 2020.



Submit your article to this journal [↗](#)



Article views: 615



View related articles [↗](#)



View Crossmark data [↗](#)



## The political economy of Taiwan's regional relations

Alexander C. Tan<sup>a</sup>, Karl Ho<sup>b</sup> and Cal Clark<sup>c</sup>

<sup>a</sup>University of Canterbury & National Cheng-chi University; <sup>b</sup>University of Texas, Dallas;

<sup>c</sup>Auburn University

### ABSTRACT

In a world of globalized markets, sizeable core states gain greater benefits from economic integration. Small peripheral states generally increase in trade incomes yet at cost of sovereignty and agenda decisions. Recent studies in the field of political economy have demonstrated that concerted economic integration efforts actually lead to disproportional gains for bigger powers at the expense of smaller neighboring states. This differential in integration benefits results in political disintegration for the latter.<sup>1</sup> In the case of Asia Pacific, Taiwan is situated at the forefront of regional superpower China's unification campaign. We examine the history of Taiwan's cross-Straits relations highlighting its experience with China's various forms of power. For other smaller states in the region, what lessons can be learnt from Taiwan's experience in the last few decades characterized by China's "peaceful ascendance" and regional bloc initiative? We suggest that Taiwan serves as a reference for other states in the region. We discuss on the implications of China's economic integration projects, such as the Belt and Road Initiative (BRI) and the role of Taiwan in the political economy of regional relations. Not only can its experience provide reference data for other small states like canary in the mines,<sup>2</sup> but it can also be a facilitator of synergetic strategies among smaller state to broker new possibilities under China's expansive influence.

### KEYWORDS

Taiwan regional relations; trade; China; Belt and Road Initiative (BRI); ASEAN

## Introduction

Globalization redefines the political economy of international and regional relations, in particular the Asia Pacific. China's phenomenal ascendance since the 1980s outpaces any other nation's in the region and takes the lead in many areas including manufacturing agglomeration and export-led economic growth. In 2013, the regional superpower of China embarked on a supersized project based on a vision of connecting Asia, Europe and Africa with fully liberalized trade over a sophisticated network of transportation for travel and freights on land and via sea routes. If realized, the originally termed "One-Belt-One-Road" mega-development plan will create an integrated intercontinental union and structurally change the international markets, regional order and global governance. Under the newly branded "Belt and Road Initiative", China is ready to dominate the world's largest trade bloc with its investments in more than 80 countries with energy, infrastructure, real estate and agricultural projects worth trillions in US dollars.

The economic integration plans fueled by China's foreign investments attract most of the nation-states in the region, anticipating with enthusiasm the inflows of new capital, infrastructure contracts and transportation megaprojects from Asia's biggest and fastest growing economy. One of the best economies that supposedly enjoys great benefits of trade liberalization with China should be Taiwan, which shares the same language and very similar production structures with the mainland across the strait. In contrast, the new government elected in 2016 launched a very different plan to reshape regional relations, primarily to move away from China's BRI and proposed economic integration. Apart from the political antagonism stemming from the dispute over "One China", the new Democratic Progressive Party (DPP) administration was also concerned about closer trade and economic ties will undercut the island state's autonomy and ultimately its sovereignty. A new foreign policy initiative titled the New Southbound Policy (NSP) was introduced. In addition to promoting more and freer trade, the policy aims at building a new regional community "deepening Taiwan's regional integration" at different levels of state and societal exchanges.<sup>3</sup>

In this study, we take a close look at the Taiwan experience with China in the face of aggressive economic and political integration efforts and examine what lessons can be learned from Taiwan's struggle in the international arena and what it can mean for other small nations. We first briefly discuss the history of Taiwan's cross-Straits relations highlighting the various forms of 'power' that it has experienced in its relation with China. An analysis of the region's political economy data follows. Specifically, we present the economic growth data of China, Taiwan,

ASEAN countries and countries covered in Taiwan's New Southbound Policy (NSP). In comparing the growth structure of these countries, we discuss how Taiwan's experience with China can serve as a lesson for other nations. And lastly, despite the limitations we discuss what are some strategies that Taiwan can use to maximize its increasingly constrained international space.

## **The Taiwan experience**

Since exiting the United Nations in 1971, Taiwan's sovereignty has been under tremendous strain, leading to challenging international relations with other nations as a normal nation-state. Recognizing the People's Republic of China as the member in UN's security council, the United States soon terminated its diplomatic relations with Taiwan and maintained an unofficial tie with Taiwan under the Taiwan Relations Act effective 1979. The Act redefined the United States' non-diplomatic relationship with Taiwan "authorizing the continuation of commercial, cultural, and other relations between the people of the United States and the people on Taiwan, and for other purposes." In the subsequent years, Taiwan experienced a shrinkage of international space as a nation-state in relation to China's position in the global political economy. The one-China policy – which Taiwan subscribed to in an earlier period which is and now actively propagated by the People's Republic of China (PRC or China) – has led to countries wishing to establish diplomatic relations with China severing their official government-level ties with Taiwan. In addition, China's exclusionary policy deprives Taiwan of any memberships in UN affiliated and other major international organizations (both governmental and non-governmental) where nation-state status is required (or a pre-condition).

To date, only less than a score of the world's about 200 countries maintain official diplomatic relations with Taiwan. None of these countries are considered middle or major powers, and none of them are located in Taiwan's immediate neighborhood of East and Southeast Asia. Since Taiwan's transition to democracy in 1996, successive government administrations – of different party stripes – have struggled to design a respectable, logical, and sustainable foreign policy to carve out some breathing space for the country in the international arena. Needless to say, Taiwan's foreign policy is very much affected (or ransomed) by its own cross-Strait policy and the state of cross-Strait relations. Indeed, it is a case of how domestic politics and international politics intertwine to affect each other.

## **Cross-Straits relations and the different faces of chinese power**

Regardless of whether one views Taiwan-China relations as an internal conflict between two rival governments of one state or whether one views it as a conflict between two rival states, there are several points we can all agree on. First, this conflict is asymmetric. Using all metrics, China is larger, more populous, has a larger military, and is an economic giant (at least in the last 30 years) – in short, more powerful – vis-à-vis Taiwan. Second, the interactions are dynamic and have constantly evolved. In fact, it is safe to infer that no other state in the world has faced the full force and faces of China's power. Throughout Taiwan's contemporary history (since 1949), Taiwan has experienced the different faces of China's power – hard, smart, soft, and sharp – as China continues to woo Taiwan to its fold and enforce its one-China perspective. Let us briefly examine the dynamic interaction between the Taiwan and China over the past 70 years.

### ***Hard power (1949-1979)***

Hard power is the use of military and economic means to influence the behavior or interests of other political bodies. This form of political power is often aggressive and is most immediately effective when imposed by one political body upon another of lesser military and/or economic power.<sup>4</sup> In this period of cross-Straits relations, we argue that China exercised its hard power, though limited and blunted by US extended deterrence, in an effort to conclude the Chinese Civil War and reunify Taiwan.

The establishment of the People's Republic of China in October 1, 1949 did not end the Chinese Civil War as the Chinese Communist Party (CCP), led by Mao Zedong, established a new state and regime on the mainland, while the defeated Nationalist Party, led by Chiang Kai-shek, moved to Taiwan to establish a government-in-exile. In 1949, in an effort to expel the KMT from Kinmen (just outside of Xiamen, China), the PLA launched an offensive that led to battles in the island of Kinmen. Known as the Battle of Guningtou, PLA forces landed on Kinmen and street battles ensued until the KMT forces gained the upper hand and defeated the invading PLA forces.

After the Battle of Guningtou in 1949, all-out military confrontation largely subsided. However, military operations (both overt and covert) continued. This hard power period in cross-Straits relations witnessed Taiwan and China having direct military confrontation, clandestine military operations, as well as enticing defectors by both sides. This period

saw several crisis points including the First Taiwan Strait Crisis of September 1954 and the Second Taiwan Strait Crisis of August 1958.

The First Taiwan Strait Crisis of 1954-55 saw artillery duels between the PLA and Nationalist forces. The main conflict area was restricted to the small islands, just offshore of China, controlled by the KMT. The PLA was able to take over control of some of the small islands – Yijiangshan and Tachen – but Kinmen and Matsu remained under KMT control. This crisis was an artillery duel between the two opposing forces with the United States providing military support and even considering the use of nuclear strike against China to protect Taiwan.

Three years after the First Taiwan Strait Crisis, a Second Taiwan Strait Crisis ensued with artillery battles between the PLA and the KMT forces. Trying to test the resolved of US security commitment to Taiwan, PLA forces began to shell KMT controlled Kinmen and Matsu islands in August 1958. Taiwan requested for US assistance in ensuring that supply lines to the two outer islands were secure and was able to fight to a stalemate. This crisis lasted four months and ended in a stalemate leading to an uneasy truce between the two opposing sides.

During this period of ‘hard power’ relations between Taiwan and China, numerous domestic events occurred in these two polities. From 1966-1976, China was in the midst of the upheaval of the Cultural Revolution and internecine fights inside the CCP. In 1976, the death of Mao Zedong in effect ended the Cultural Revolution with the ultimate accession to power of Deng Xiaoping. This period also witnessed the increasing rapprochement between the PRC and the US that began during the Nixon administration that would eventually lead to the establishment of formal diplomatic relations in 1979 in the Carter administration.

In Taiwan, 1972 was a watershed year in its international relation as the PRC replaced its position in the United Nations and took over the permanent Security Council seat. Since withdrawing from the UN, Taiwan helplessly witnessed a rapid reduction of countries that formally recognized it as a nation-state. And in 1979, Taiwan’s staunchest ally – the United States – “derecognized” Taiwan and established formal diplomatic relations with the PRC. To this day, the US continues to provide Taiwan’s security guarantee in the form of the Taiwan Relations Act passed by the US Congress. The Taiwan Relations Act has since been a sticky point in the PRC-US relationship.

### ***Smart power and the thawing of relations (1979-1995)***

The end of the Cultural Revolution in China and the removal of the ‘Gang of Four’ faction saw the consolidation of power in the CCP under the pragmatic reformist Deng Xiaoping. During this period, China took a

path of economic reform and opening that resulted in unprecedented growth and development, making China the world's second largest economy in less than 40 years. This spectacular growth, not only lifted hundreds of millions of its citizens out of poverty, but has also contributed to the growth and development of countries that traded with China.

As China opened its economy to the world, its approach to cross-Straits relations can best be described as 'smart power.' Smart power is the use of a combination of hard and soft power. According to Crocker and his associates, smart power "involves the strategic use of diplomacy, persuasion, capacity building, and the projection of power and influence in ways that are cost-effective and have political and social legitimacy."<sup>5</sup> Utilizing the attraction of its low cost production base and its large domestic market, China began attracting labor-intensive industries to establish manufacturing facilities in China. Hong Kong and Singapore invested in China very early on. And despite official constraints against investing in China, Taiwanese businesses began shifting some of its manufacturing facilities to the mainland. The timing of China's economic reform and opening coincided with the changes in Taiwan's own industrial structure.

In the early 1980s, Taiwan's industrial structure had reached the peak of labor-intensive industries particularly in areas like textiles, apparels, shoes, and low-level consumer electronics, as labor shortage and rising wages squeezed the very thin profit margins. As Clark and Tan note, between the mid-1970s and mid-1980s Taiwan's economy underwent two transformations with the state-led heavy industry investment and the small and medium size enterprises upgrading their production techniques.<sup>6</sup> The government's industrial policy at the time shifted in favor of capital-intensive manufacturing and industries. These changes meant that labor-intensive manufacturing Taiwanese businesses had to search for more cost-effective production sites. Prior to China's opening, some Taiwanese businesses began investing in Southeast Asia. The trend of Southeast Asia continued as Taiwan laws barred its citizens from traveling to China or having any direct contact. As China began its economic opening and began to actively court Taiwanese businesses to invest in the mainland, many Taiwanese businesses began to circumvent official regulations and began investing in China through subsidiaries in Hong Kong. This is evidenced by the huge trade statistics between Hong Kong and Taiwan during this period as Hong Kong was widely recognized as a trans-shipment point for Taiwan to China trade.

China's ability to use its economic potential as a lure and bait for Taiwanese businesses to invest in the mainland left Taiwanese officialdom reactive and scrambling for a proper policy to prevent an industrial hollowing-out. Taiwan's authorities eventually lifted Martial Law and allowed

for limited engagement with China during this period. However, the floodgate had been opened and Taiwanese investments and economic relationship with China expanded quite rapidly.

China's smart power has been employed in both the squeezing of Taiwan's international space but also allowing Taiwan to participate in international organizations that do not require statehood as a prerequisite for membership, such as the Olympics and regional organizations like the Pacific Economic Cooperation Conference, but under the nomenclature of Chinese Taipei.

### ***Sharp power (1995-2008)***

As its economic liberalization moved forward and its economy and military power strengthened, China showed its sharp power in dealing with an increasingly democratic Taiwan. Sharp power is the use of manipulative, aggressive and subversive policies by one country in order to undermine the political system of another.<sup>7</sup> Taiwan's move toward democratization and the rise of Taiwanese identity has shown another face of China in its dealing with Taiwan. Taiwan's first transition of power to a non-mainlander president in President Lee Teng-hui led to domestic ethnic issues coming to the fore in Taiwan's relations with China. In 1988, President Chiang Ching-kuo's death ushered in a period of the increasing "Taiwanization" of national politics in Taiwan.

Lee Teng-hui's visit to the United States directly led to the Third Taiwan Strait Crisis of 1995-1996 in which the PRC decided to 'test' missiles directed toward Taiwan that coincided with the 1996 presidential election in Taiwan. China's 'missile tests' were unequivocal attempts to influence the results of Taiwan's presidential election as it registered its dissatisfaction with President Lee Teng-hui who they believed was a supporter of Taiwan independence. This Third Taiwan Strait Crisis – China's show of sharp power – triggered US President Clinton to order the US Navy to send two carrier battle groups to the region. The US Navy's aircraft carrier, USS Nimitz, sailed through the Taiwan Strait in an explicit show of support for Taiwan. Despite the US position of strategic ambivalence with regards to cross-Straits relation, US President Clinton's orders showed US support for Taiwan as China explicitly 'rattles its swords,' so to speak. After winning Taiwan's first popular presidential election handily, Lee Teng-hui later made reference to cross-Straits affairs as a 'special state-to-state' relationship, triggering a strong reaction from China. Needless to say, the PRC does not see Taiwan as a 'state' but as a renegade province of China and believes that the relationship between the two polities is an internal matter synonymous to a central national



government (that is, China) to a provincial local government (that is, Taiwan).

The election of Chen Shui-bian in 2000 and his reelection in 2004 marked a clear period of difficult cross-Straits relationship as President Chen's administration pushed the limits of 'Taiwanese independence' without declaring *de jure* independence. In the domestic political arena, Chen administration pushed for de-Sinification in education and culture in a move to slowly but surely erode Chinese identification and help create and strengthen Taiwanese identity.<sup>8</sup> Several seemingly inconsequential actions in the domestic sphere – such as the addition "Taiwan" to the cover of the "Republic of China" passport and the change from the Bank of Taiwan to the Central Bank as the issuer of the New Taiwan dollar – were clear indications of how the Chen administration viewed Taiwan as a separate nation-state from China. In the international sphere, Chen pursued a more aggressive approach to carve out an international breathing space for Taiwan. This has led to the rise of dollar diplomacy, that is, the use of financial and monetary incentives to maintain diplomatic allies or to persuade countries to recognize Taiwan officially.

This two-pronged – domestic and international – approach by the Chen administration confirmed China's suspicion of Chen's independence approach that led it to unleash its sharp power to negate and curb the impact of Chen's policies. In the international arena, China began to engage in dollar diplomacy to 'pick off' several diplomatic allies of Taiwan in this period. This dollar diplomacy led to heightened concerns by countries like New Zealand and Australia as they watched the consequences of the China-Taiwan diplomatic rivalry in the Pacific island nation-states such as Vanuatu and the Solomon Islands.<sup>9</sup>

Arguably, the two-term presidency of Chen Shui-bian also witnessed the slowing down of the economy immediately after the 1998 Asian Financial Crisis and the inability of Taiwan to break its international economic isolation as China picked off several of Taiwan's diplomatic allies during this period – including long-time diplomatic partner Costa Rica – and continued to make Taiwan's international participation increasingly difficult (see Table 1).

Coincidentally, during this same period of 2000-2008, the PRC was rapidly expanding. This rapid expansion of China's economy and the poor state of cross-Straits relations was exacerbated by domestic political squabbles in Taiwan due to the divided government – as the DPP controlled the executive branch while the KMT controlled the legislature. This allowed the PRC's sharp power exercise to be effective in making Taiwan's foreign and domestic environment difficult.

**Table 1.** Changes in the Diplomatic Ties of Taiwan, Republic of China, 1971–2019.

Year	Termination of diplomatic relations	(Re) Establishment of diplomatic relations	Administration
1971	Belgium, Austria, Turkey, Iran, Kuwait, Lebanon, Peru		K.S. Chiang
1972	Greece, Australia, New Zealand, Luxemburg, Mexico, Argentina, Jamaica, Congo, Chad, Japan		
1973	Spain, Zaire		
1974	Brazil, Venezuela, Gabon, Niger		
1975	Portugal, Thailand, the Philippines, Vietnam		
1976	Central Africa	South Africa	
1977	Jordan, Liberia		
1978	Libya		C.K. Chiang
1979	USA		
1980	Colombia, Ecuador	Nauru	
1983	Côte d'Ivoire	Dominica	
1985	Bolivia		
1988	Uruguay		
1989		Grenada, Liberia	
1990	Saudi Arabia		
1991		Central Africa	
1992	South Korea	Latvia, Niger	
1993	Liberia		
1994	Latvia	Burkina Faso	
1995	Monaco		
1996	Niger		Lee
1997	Bahamas, St. Lucia	Chad, Liberia	
1998	South Africa, Central Africa, Guinea-Bissau, Tonga	Marshall Islands	
1999	Palau	Macedonia	
2001	Macedonia		
2002	Nauru		
2003	Liberia	Kiribati	
2004	Dominica, Vanuatu		
2005	Grenada, Senegal	Nauru	
2006	Chad		
2007	Costa Rica	St. Lucia	
2008	Malawi		
2013	Gambia		Ma
2016	Sao Tome and Principe		Tsai
2017	Panama		
2018	Dominican Republic, El Salvador, Burkina Faso		
2019	Solomon Islands, Kiribati		

### ***Charm offensive and smart power (2009-2016)***

The tumultuous years of the cross-Strait relationship under Chen Shui-bian were replaced by a more cordial relationship with the return to power of the more China-friendly KMT with the election Ma Ying-jeou as president and the increase of its legislative majority. The return of the KMT witnessed a different relationship with the PRC as Taiwan was given some respite in its international diplomatic space as dollar diplomacy was halted and the PRC signaled a freeze in picking off

Taiwan's remaining diplomatic partners to switch recognition to Beijing.

The smart power and charm offensive that PRC launched saw a détente in the uneasy relationship that had characterized the Chen Shui-bian administration. As the PRC has never renounced the use of force to unify Taiwan to the mainland, this charm offensive and the relatively less tense cross-Straits relations during this period can still be classified as Chinese exercise of its smart power. During this period, transport links between the PRC and Taiwan increased with direct air links between major Chinese cities and Taiwan. The direct air links saw a significant increase in Chinese tourists arriving in Taiwan that positively affected Taiwan's tourism industry. The more China-friendly position of Ma Ying-jeou's administration also saw China reciprocate with the signing of the Economic Framework Cooperation Agreement (ECFA) that helps regulate the economic interactions between China and Taiwan.

Due to the friendly cross-Straits relations, China's charm offensive to Taiwan (to reciprocate President Ma's more China friendly policy) also resulted in Taiwan being able to conclude bilateral trade agreements with New Zealand and Singapore. Observers have suggested that the signing of these two trade agreements would have been difficult when cross-Straits relations were tense.

Yet, despite progress in cross-Straits relations, the KMT may have misread the general tone of Taiwanese opinion regarding increasingly close economic relations with China. As Tan and Ho conclude,

"The growing economic integration between China and Taiwan creates a threat to Taipei, due to China's sovereignty claims over the island, and makes Taiwan vulnerable, due to its increasing economic dependence on China. There are concerns within Taiwan society about whether this dynamic represents a risk or an opportunity for Taiwan. This vulnerability affects Taiwan citizen's perception of national security, driving a wedge among the elites – which is also reflected among Taiwan voters – and directly shapes contending strategies of how to best handle cross-Straits relations."<sup>10</sup>

This stratification and divergence in viewpoints regarding cross-Straits economic relations are evidenced by the variance in the perceived pace of cross-Straits interactions.<sup>11</sup> During the Chen Shui-bian administration (2000-08) public opinion polls showed that 25-30% of respondents in a survey conducted by the government's Mainland Affairs Council believed that the pace of cross-Straits interaction was too slow. And as the China-friendly Ma Ying-jeou presidential administration "pushed for deepening economic linkages with China as the best means for promoting economic growth" (Clark and Tan 2016,<sup>12</sup> "by 2008, the Three Direct Links which began in November 2008, and then the broader ECFA in June 2010

triggered a significant swing to the “too fast” category, with more than one in three (voters surveyed) worried about the fast pace”<sup>13</sup> of cross-Straits interaction.

By 2013 when the Cross-Straits Agreement on Trade and Services was being deliberated in Taiwan’s legislature, the poor reading by the Kuomintang of Taiwanese sentiment regarding cross-strait interactions directly led to the Sunflower Movement protest where protesters occupied the chambers of the legislature for 21 days.<sup>14</sup> The Sunflower Movement effectively resulted in the freezing of further upgrades and/or expansion of trade agreements with China. The resulting turmoil of the protest movement and the general anger of the citizenry contributed to “devastating thumping at the hands of the electorate”<sup>15</sup> when for the first time in Taiwan’s young democratic history, the opposition Democratic Progressive Party (DPP) captured the executive branch and won majority of the seats in the legislature in the 2016 general elections.

This period of soft power and charm offensive by China toward Taiwan has led to increase economic interactions that “brought perils with profits.”<sup>16</sup> These perils include the industrial hollowing out of Taiwan, the threat to the viability of Taiwanese domestic corporations as its advanced electronic sectors rapidly moves to China, and of the Taiwan’s economic vulnerability as China gains leverage and the upper-hand in this economic interaction.<sup>17</sup> These, amongst other, concerns led to the Democratic Progressive Party’s huge victory by wrestling both executive and legislative branches from the Kuomintang and then to the expected recalibration of cross-Straits relations that became the hallmark of the Tsai Ing-wen presidential administration.

### ***Back to sharp power (2016-present)***

In 2016, the DPP rode the dissatisfaction with overall economic performance and won both the executive and legislative branches of government – the first time this has happened in Taiwan since its transition to democracy. The election of Tsai Ing-wen ushered in a difficult period of relationship with China. Since the presidential election campaign, Tsai and the Democratic Progressive Party have been pressed to make a public pronouncement on the so-called “1992 Consensus” – a supposed acknowledgement between the PRC and Taiwan that there is one China but with different interpretations on both sides of the Taiwan Straits. Tsai and the DPP’s refusal to acknowledge the 1992 Consensus is, according to China and the Kuomintang, a gesture of implicit support of Taiwanese independence, i.e., that Taiwan is not part of China and is a sovereign nation-state. China has since broken off contacts with Taiwan and alleged no resumption until the Tsai administration publicly states its commitment

to the '1992 Consensus.' The Tsai administration for its part launched the 'New Southbound Policy' (NSP) that seeks to expand Taiwan's substantive ties to South and Southeast Asian as well as to Australia and New Zealand in an attempt to 'diversify' from its over-reliance on China.

The election of an unorthodox US president in the person of Donald Trump, who continually criticized China during the presidential election campaign, introduced new dynamics to cross-Straits relations. Prior to Donald Trump's presidential inauguration, he received a congratulatory telephone call from Taiwan's President Tsai Ing-wen which was a break from past practices of previous US government.<sup>18</sup> Since then, the Trump administration has taken China head-on by initiating a trade war with China, calling on its allies to not use Chinese telecommunication technologies, and redefining regional geo-politics by coining a new nomenclature – Indo-Pacific – in an explicit attempt to marginalize China or at least to disassociate from the increasingly China-dominated Asia-Pacific.

The Tsai administration, sensing a more anti-China sentiment and posture in the Trump administration, immediately positioned itself to be a more than willing partner of the US in the region. Taiwan's Ministry of Foreign Affairs immediately established an Indo-Pacific division for better policy coordination purposes. The United States in turn was more than willing to engage Taiwan and unshackle itself from some self-imposed regulations in its official contacts with Taiwan. The strong Taiwan lobby in the United States Congress has been arguing for stronger official contacts with Taiwan that eventually led to the renewed efforts to promote US-Taiwan relations and reinstate the country's security support for Taiwan. The Taiwan Travel Act passed in 2018 legally allows contacts and visits at all levels for government officials of Taiwan and the United States. This is a departure from prior US position since the de-recognition of Taiwan by the United States in 1979. Official contacts have been very limited due to the United States interpretation of the one-China policy and the Shanghai Communiqué. The Taiwan Assurance Act in 2019 calls for strengthening Taiwan's security through "regular sales and transfers of defense articles" and supporting its inclusion in international organizations. The high-profile support of the US Congress as well as the Trump administration's more hawkish and adversarial view of China deliver a loud and clear signal to a new US-Taiwan relationship.

The changing dynamics of US-China relations and the Tsai administration's perspective on China and Taiwan's own status have together led to China showing its 'teeth' and exercising its sharp power by more aggressively showing its military capabilities and economic leverage to influence affairs in Taiwan. High-level contacts between China and Taiwan, that were common during the Ma administration of 2008-2016, have been suspended. Besides breaking off regular contacts with

Taiwanese government officials, China began reducing the number of Chinese tourists visiting Taiwan. The sharp and visible decline in the number of mainland visitors has significantly affected the tourism industry in Taiwan. In addition to using economic leverage, China interfered the city and county level elections held in November 2018 in which the ruling DPP suffered a devastating loss, including its traditional electoral stronghold of major metropolitan areas and counties.

The KMT had very little time to savor its victory, however, as increasing tensions in cross-Straits relations led to a surge in support for Tsai Ing-wen. Two separate factors were at work here. First, Chinese President Xi Jinping made a very harsh speech demanding unification in January 2018, which undercut the KMT's position on Taiwan's relationship with China; and, second, the escalating protests in Hong Kong greatly increased the sense of a Chinese threat in Taiwan. Tsai's strong response in standing up for Taiwan against these threats from China proved to be quite popular. Consequently, she won in a landslide with almost exactly the same share of the vote as she had in 2016 (57%); and the DPP retained a comfortable absolute majority of 61 in Taiwan's parliament.<sup>19</sup>

In the international arena, China has successfully wooed some of Taiwan's long-time diplomatic partners to switch diplomatic recognition. In 2016, Taiwan had 21 diplomatic partners and this number has been reduced to 17 in 2019 after the Dominican Republic, El Salvador, Panama, and Sao Tome and Principe all de-recognized Taiwan and switched official recognition of the PRC. In addition, China successfully blocked participation in several international organizations such as the World Health Assembly where Taiwan's participation was allowed prior to 2016.

Chinese sharp power action did not end with just pushing Taiwan around in the international arena. The PRC has been flexing its military muscle since the Tsai administration was installed. In the period August 2016 to December 2017, Taiwan's Ministry of National Defense reported over twenty incidences of the People's Liberation Army Air Force (PLAAF) missions that had circled around the island despite international airspace restrictions and at least four incidences of the PLA Navy ships cruising around Taiwan. On April 18, 2019, Taiwan's Ministry of Foreign Affairs confirmed that 24 Chinese military aircrafts and five naval vessels conducted military exercises in the Miyako Strait north of Taiwan and in the Bashi Channel south of Taiwan separating the Philippines and Taiwan.

With the uneasy state of cross-Straits relations, Taiwan has been at the receiving end of China's exercise of its sharp power. At the moment there does not seem to be any indication that China's unfriendly actions toward

Taiwan are going to abate anytime soon as long as the Tsai administration and the DPP government is still in power.

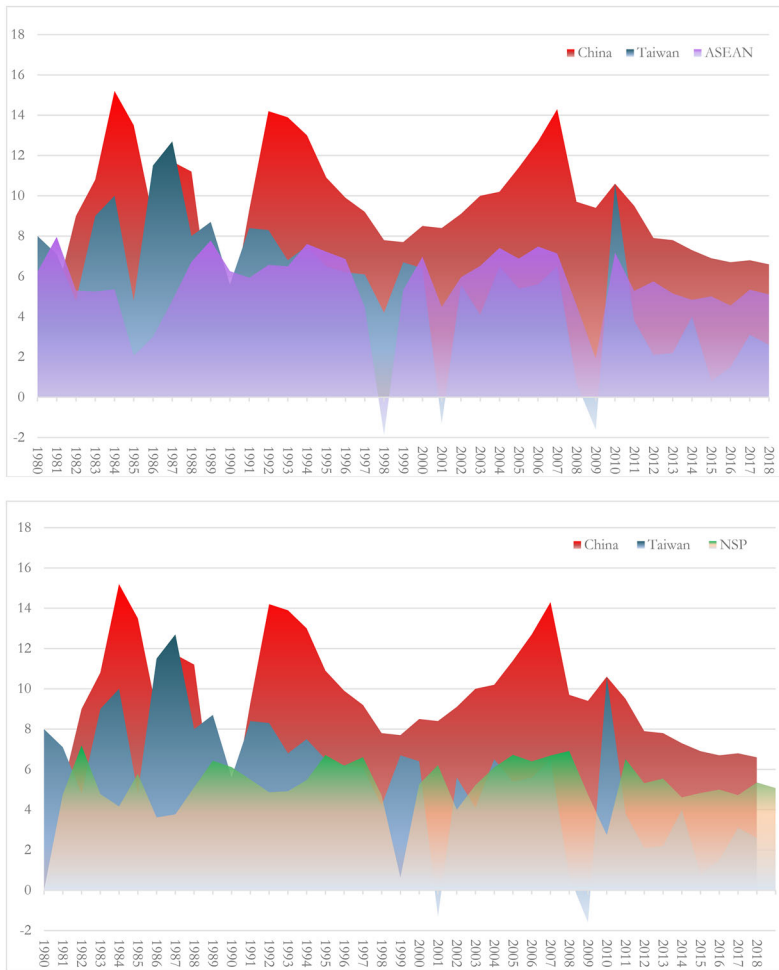
### **Taiwan's economic growth in perspective**

In the first section, we traced the various faces of Chinese power with which Taiwan has had to deal since 1949. Here, we look more closely into the economic growth of China, Taiwan and the countries in the region. Specifically, we examine the ten countries in Association of Southeast Asian Nations (ASEAN) and the 18 countries under the NSP. The former group is composed of Singapore, Thailand, Myanmar, Brunei, Malaysia, Philippines, Indonesia, Vietnam, Laos and Cambodia. The NSP includes all ASEAN countries plus India, Pakistan, Nepal, Bangladesh, Sri Lanka, Bhutan, Australia and New Zealand.

Since the economic reforms of China in late 1970s, these countries have been attracted to the economic opportunities that China's sizable market presents. Indeed, China became a magnet for foreign investments that aided in its rapid economic development. Many countries in the world did benefit from China's economic opening. Australia and New Zealand, for example, experienced sustained growth that are highly correlated to China's growth as these two countries capitalized on China's strong appetite for the Australian and New Zealand primary goods like food, dairy, iron ore, coal, etc. The benefit to New Zealand is evident after its Free Trade Agreement with China in 2008 becoming the first OECD country to sign such trade pact with China.

In comparison, China's fast and continuous economic growth since the 1980s leaves most of the countries trailing far behind, even the neighboring countries. According to the IMF, China's real GDP growth (representing the total value at constant prices of final goods and services produced) tops all NSP (including ASEAN) countries during the period from 1980 to 2018. During these four decades, China enjoyed an average of an almost 10 percent growth (9.52%). For Taiwan, it shares very similar rate with ASEAN and NSP countries, all are in the range of about 5.5% on average. In fact, [Figures 1a and 1b](#) show that structurally, the ebb and flow of the three (Taiwan, ASEAN and NSP) are very similar, in particular at times when most of these countries suffer global financial crises (e.g., 1997-8, 2008).

Prior to the 2007-08 period, China's phenomenal growth was labeled 'peaceful ascendance' by its own government as if to remind other countries that China's growth would not be threatening nor disruptive. China alleged that it would not seek hegemony and would peacefully coexist with other states and adhere to the status quo rather than being a revisionist state (Yang 2018). During the Global Financial Crisis of 2007-



**Figure 1** (a) Economic Growth: China, Taiwan and ASEAN (average), 1980–2018. (Source: International Monetary Fund (IMF) Data Mapper: [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/TWN](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD/TWN)) (b) Economic Growth: China, Taiwan and NSP (average), 1980–2018.

2008, China's economic growth peaked, in juxtaposition to the recessionary economies of the West. Despite the gradual slowing in growth rate, the economic giant still tops most other countries, wielding an average of 7 to 8 percent annually. Consequently, China was thrust into the forefront and realized its emerging relative power vis-à-vis other major powers.

With Xi Jinping accession as top leader in 2012, China's peaceful ascendance rhetoric was increasingly replaced by the "China Dream."<sup>20</sup> The Chinese author Liu Mingfu spells out Xi's dream in "The China Dream: Great power thinking & strategic posture in the post-American era."<sup>21</sup>

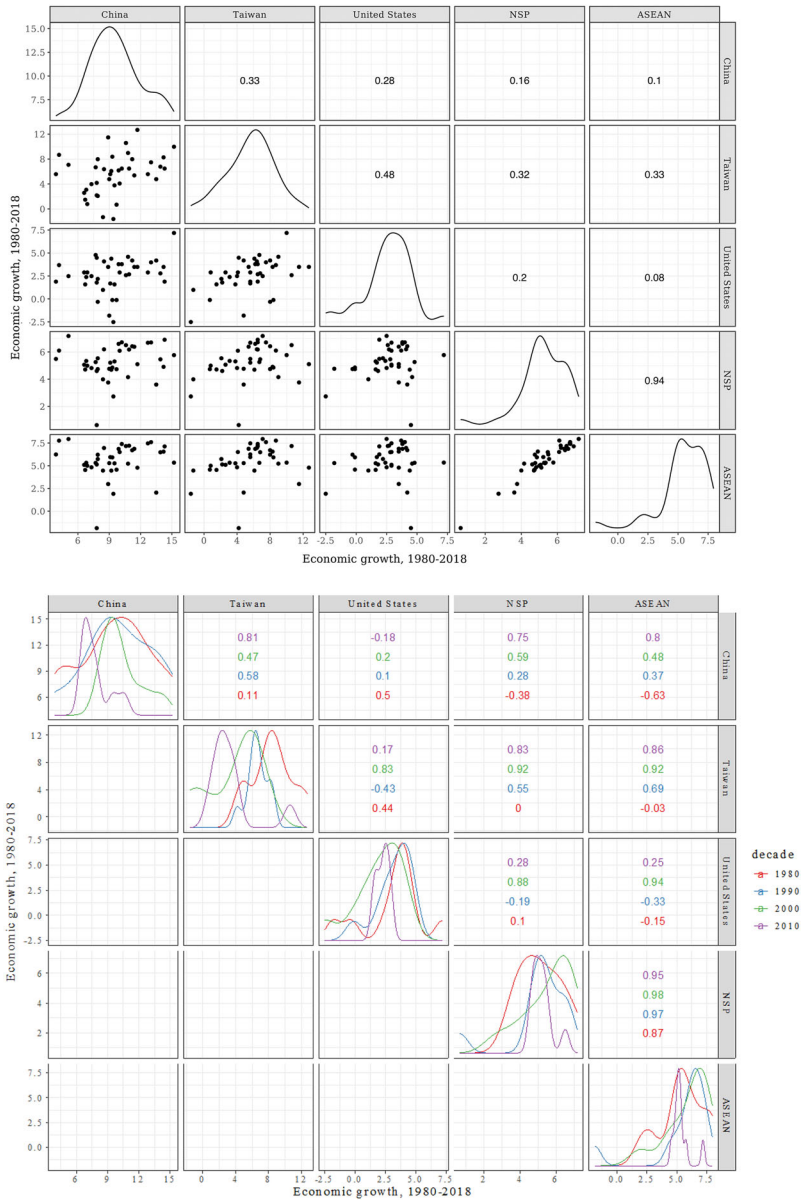


According to Liu, China is ready to claim its rightful leadership in the world. This 'China Dream' has seen China become more confident in regional affairs and more willing to use trade and foreign investments to achieve regional economic integration. Meanwhile, neighboring countries are noticing a more assertive China in regional affairs such as the structures imposed in the South China Seas where several countries have contested sovereignty claims.

Since the 2008 Global Financial Crisis, China has been more willing to use its smart power – a combination of both hard and soft power – as well as its sharp power – aggressive and manipulative power – in its dealings with neighboring countries. From Northeast Asia to Southeast Asia to Oceania, China has been aggressive to flex its new muscle to achieve its own foreign policy objectives. Examples abound of China's expansive behaviors. South Korea felt the brunt of China's ambitions toward its agreement to the installation of the THAAD missile system by the United States. In 2010, Japan saw its high-tech industry handicapped as China withheld rare earth metals exports in response to a diplomatic standoff pertaining to the Senkaku/Diaoyu island sovereignty dispute in the East China Sea.<sup>22</sup> The Philippines and Vietnam, who are claimants in the Spratly Island dispute, have experienced China's sharp and smart power directly as China pushes its own claim to the whole of the Spratly Islands. Even Australia and New Zealand, more recently, have seen China's exercise of sharp power. As neighboring countries grapple with a more aggressive China, it can be argued that to some extent Taiwan's experience in its interactions with China can be informative. Granted that China lays claim to Taiwan and does not do so of other nations. Still to a certain extent, Taiwan's experience serves as a "canary in the mine", so to speak, for others in how China can exercise its power and what can be done in the face of that power.

Investigating the growth structure correlations, the IMF data reveal that China's growth is not leading or causing other neighboring states to follow or "co-prosper." For example, the correlation between China and Taiwan's growth rates is .33, indicating that for the whole period China's growth explains about 10 percent of Taiwan's growth or vice versa (See [Figure 2a](#)). The former's correlations with ASEAN and NSP are even lower, registering .16 and .10 respectively. In fact, the United States contributed higher to Taiwan growth, closer to 25% in the latter's variance. For the NSP countries (including ASEAN), Taiwan is clearly closer in growth.

When comparing by decades in [Figure 2b](#), such correlation analysis reveals some interesting trends. The correlation of China's growth with all these countries is indeed increasing over time. In the current decade (2010s), for instance, China's growth can explain up to over 60 percent of



**Figure 2 (a)** Correlation: Economic Growth among China, Taiwan, US, ASEAN and NSP.

(Source: International Monetary Fund (IMF) Data Mapper: [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/OEMDC/ADVEC/WEOORLD/TWN](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOORLD/TWN))

**(b)** Correlation: Economic Growth among China, Taiwan, US, ASEAN and NSP by Decade.

NSP/ASEAN countries' growth. Parallel to this trend is the fading away of the US influence compared to the 2000s (ranging from .83 to .94). China is replacing it as the big player in the region's general growth. Noteworthy however is the high correlations between Taiwan and NSP/ASEAN countries, suggesting about 70 to 80 percent of the time these economies grew contemporarily. In general, Taiwan and NSP countries are more similar in growth structure, while witnessing China's expansion in the economic domain.

In the face of China's expansion and an increasingly manipulation for Taiwan, what can it do in order to defend itself and carve for itself its own lebensraum or living space? As one of the world's top 25 economies (based on gross domestic product) and with a relatively affluent society, the island state actually has some room to maneuver. From previous data, one can observe that Taiwan actually has the ability to exercise smart power by using creative diplomacy and employing its economic power to create and strengthen a web of complex interdependence with countries in the region.<sup>23</sup> Creative diplomacy and complex interdependence will require Taiwan to go beyond its singular and one-dimensional focus on market access issues, business opportunities concern, and economic utility calculations that have, thus far, dominated its international relationships. Indeed, while the risks are well-understood amongst Taiwanese policy makers, a well-defined and coherent strategy in exercising smart power seems to be wanting as policy makers struggle to learn how to 'market' Taiwan as a responsible stakeholder in the region.

In terms of building complex interdependence, successive Taiwanese presidential administrations have been actively seeking to integrate Taiwan's economy through joining regional trade agreements. The paradigm that dominates Taiwan's government is that as countries in the region sign up to regional trade agreements (such as the Trans-Pacific Partnership – TPP – and the Regional Comprehensive Economic Partnership – RCEP), Taiwan cannot afford to be left out as the impact of trade diversion would be damaging to the Taiwanese economy. This conventional thinking is not without its merits but is constrained by two roadblocks: first, Taiwan has no formal diplomatic relations with these countries; and, second, China has substantial power for blocking Taiwan's participation.

Besides the World Trade Organization that Taiwan joined in 2002 under the nomenclature of the "Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu" and trade agreements with Singapore and New Zealand, Taiwan has not been invited to any other regional trade agreement negotiations including the TPP (now called Comprehensive and Progressive Trans-Pacific Partnership "CPTPP") and the RCEP. Taiwan's inability to gain participation is not for the lack of trying or

persuading other countries, but it is clear that the roadblocks have been difficult to surmount. Of the two regional trade agreements, Taiwan is less likely to gain membership in the RCEP without an explicit agreement from the PRC, as it is one of the lead countries negotiating the regional trade agreement.

With regards to the CPTPP, Taiwan suffered a setback when the United States withdrew from the agreement in the first few months of the Trump presidency as Taiwan was hoping that the US would be its primary sponsor for TPP membership. The CPTPP replaced the TPP, and the remaining 11 countries led by Japan signed the agreement in March 2018. With Japan taking the leadership mantle after the US withdrawal, President Tsai's DPP administration is counting on Japan to sponsor its membership as the DPP has strong relations with Japan and its ruling party, the Liberal Democratic Party (LDP). For obvious reasons, Taiwan has concentrated much of its diplomatic lobbying on the United States (as its main security guarantor) and Japan (as its closest ally) for these two countries to act as Taiwan's main sponsors for membership in regional trade agreements. From Taiwan's perspective, these two countries are the largest economies in the originally proposed TPP, and Taiwan has extensive economic interactions with both. While Taiwan's strategy may make sense to its policymakers, this strategy is less than effective as CPTPP membership will likely require the agreement of all current members. Taiwan needs to make its case for membership to countries such as Mexico, Peru, and Chile, as well as Brunei, Australia, and New Zealand. Taiwan will be required to address the hard questions such as: What value will its membership be added to the regional trade agreement? What tangible benefits will other member states gain from Taiwan's addition? Taiwan's desire to join is clear and much is known about the accrued benefits to its economy but, arguably, less is known about what it brings to the table for the member countries of CPTPP to agree to its participation. It will require Taiwan to 'get out of its comfort zone' and to diversify and develop substantive ties to other countries in the region.

Realizing the threat that over-reliance on the China market poses for Taiwan's security, the Tsai administration introduced the New Southbound Policy (NSP) to develop ties with countries in South Asia, Southeast Asia, and Oceania. Despite the absence of official diplomatic ties, the NSP is an effort that allows Taiwan to renew its strategies to cope with challenges in its regional relations. The NSP is designed as a risk diversification strategy that seeks to reduce Taiwan's dependence on China and explore opportunities with Southeast Asia, India, Australia, New Zealand and others.<sup>24</sup> Though the NSP is framed as a comprehensive policy of engagement with regional neighbors, yet apart from the more economic focus objectives such as market access, investments, trade,

and business opportunities, the NSP's other components are yet to be fully articulated and could appear a knee-jerk reaction away from reliance on China.

Taiwan's current strategy to find economic breathing room for its boxed-in economy is most understandable. Yet, Taiwan's diplomatic challenges in many of the NSP countries are daunting, due to the long-term government neglect of the region. Indeed, it is fair to say that Taiwan needs to know much more about its southern neighbors and avoid positioning itself as a more advanced economy and affluent society. The success of the NSP requires Taiwan to rethink its engagement approach with its neighbors and at the same time gain credibility and consolidation as a permanent foreign policy not to be ransomed by domestic partisan and identity politics.

It is imperative Taiwan starts a new strategy using its smart power to build a positive global and regional citizen image. We think this is definitely a possibility. Taiwan has to be prepared to break the mold of its past diplomatic strategies and efforts. One distinct opportunity is to work with regional countries where there are overlapping formal diplomatic ties. An example of this would be for Taiwan to coordinate, co-fund, and co-manage regional development and aid projects with several of the main players in the region like Australia, New Zealand, Japan and South Korea. Taiwan's official development assistance levels are relatively low when compared to similarly situated countries, and Taiwan primarily conducts its official development assistance on its own and to countries with formal diplomatic relations. However, this is not necessarily a zero-sum game; and there is room for Taiwan to engage in joint projects with other countries in the region, e.g., in the Pacific, where Taiwan's official diplomatic presence also overlaps with other countries. Through "smart" coordination and co-funded development projects, Taiwan can demonstrate to the region that it is a responsible stakeholder and regional team-player. It has been the most experienced players dealing with the region's biggest power after all.

### ***Taiwan and the COVID-19 pandemic***

Taiwan's response to the COVID-19 pandemic during the winter and spring of 2020 provides an excellent illustration of these themes. Taiwan's exemplary response in containing the virus, its rapid response and crisis coordination, its health care system, its \$2 billion fund for mitigating the economic effects of the crisis, and the flexibility of its small and medium enterprises (SMEs) in, for example, switching production to face masks are strong evidence that Taiwan can be a positive presence and important member of the regional community. This pandemic also is a good

example of Taiwan's acting as a "canary in a mine" for the global community. In late December 2019, Taiwan informed the World Health Organization that there was a dangerous viral outbreak in China, despite the fact that China was trying to cover it up. Taiwan has always had a healthy skepticism of data and information coming out of China. For Taiwan, it is always verify, verify, and verify through its own information network within China. In this case, the world learned the hard way by failing to see Taiwan's role and thereby not heeding its early warning. In contrast to China's efforts to hide the outbreak for a significant and vital period, Taiwan's democratic system shows how accountability and open information flow from government to citizens and vice versa have helped in limiting the damage of the virus breakout in Taiwan.<sup>25</sup>

The economic collapse brought on by the pandemic has also created both challenges and opportunities in the Asian regional arena. For example, the temporary contraction of the Chinese economy hurts Taiwan because Taiwanese firms are involved in many global supply chains that run through China. Yet, some positive reactions soon occurred as well, as local firms both brought back production to Taiwan and relocated some of their production from China to Viet Nam.<sup>26</sup> The COVID-19 pandemic will almost inevitably accelerate the departure of a considerable amount of industry from China. Taiwan's government needs to deepen its relationships with the NSP nations in order to promote the knowledge, flexibility, and innovation of its businesses and corporations to moving their supply chains to new homes.

## Conclusion

In its struggle for its own international living space, Taiwan has faced the various forms of China's power – hard power, smart power, and sharp power in different periods. As the PRC rapidly develops its dominance and increasingly becomes the economic and military regional hegemon, it has shown that its explicit desire to assert and project its power in an effort to achieve its expansive foreign policy objectives. In this study, we suggest that there are many more similarities between Taiwan and other countries in the region than most would realize. Economically, these countries are structurally very similar in growth and probably are equally susceptible to global financial shocks and manipulative integration propositions by bigger regional power. As these states in the Asia-Pacific are increasingly exposed to China's fast hegemonic rise, Taiwan's experience will serve as an important reference on how (or how not) to manage relations with a superpower neighbor. We contend that despite the struggles and challenges that Taiwan faces in breaking out of its international isolation, opportunities still abound for Taiwan, and it is not without options

to engage internationally owing to its great resources, including its industrialized economy and democratic system. The realization of Taiwan's agility and possession of a modicum of smart power must be supported by coherent policies that can project Taiwan as a responsible regional citizen and development partner rather than just a singular and one-dimensional focus on business, economy or 'making a quick buck.' The implementation of these policies, such as the New Southbound Policy, will require creative and smart diplomacy that engages and treats neighboring countries as close and mutually dependent partners.

(Source: International Monetary Fund (IMF) Real Economic Growth: <https://www.imf.org>)

## Notes

1. Alberto Alesina and Enrico Spolaore, "On the Number and Size of Nations," *The Quarterly Journal of Economics* 122, no. 4 (1997): 1027–56; Karl Ho, Stan Hok-wui Wong, Harold D. Clarke, and Kuan-Chen Lee, "A Comparative Study of the China Factor in Taiwan and Hong Kong Elections," in Wei-chin Lee ed., *Taiwan's Political Re-Alignment and Diplomatic Challenges* (New York: Palgrave Macmillan, 2018), 119–44; Paul Krugman and Anthony J. Venables. 1995. "Globalization and the Inequality of Nations." *The Quarterly Journal of Economics* 110, no. 4 (1995): 857–80.
2. Alexander C. Tan, Cal Clark, and Karl Ho, "Canary in the Mine? Taiwan, New Southbound Policy, and Regional Relations," presented at the Taiwan Democracy Symposium held at University of Texas at Dallas, April 14th, 2018.
3. John F. Copper, *Taiwan's 2016 Presidential/Vice Presidential and Legislative Elections: Reflections on the Nature of Taiwan's Politics and Shifts Therein* (Baltimore: Maryland Series in Contemporary Asia Studies, School of Law, University of Maryland, 2016).
4. Joseph Nye, "Propaganda Isn't the Way: Soft Power." *International Herald Tribune* (January 10, 2003), [www.nytimes.com](http://www.nytimes.com); Ernest J. Wilson 2008. "Hard Power, Soft Power, Smart Power" *The Annals of the American Academy of Political and Social Science* 616, no. 1 (2008): 110–24.
5. Chester A. Crocker, Fen Osler Hampson; and Pamela R. Hall, *Leashing the Dogs of War: Conflict Management in a Divided World* (Washington, DC: US Institute of Peace Press, 2007), 13.
6. Cal Clark and Alexander C. Tan, *Taiwan's Political Economy: Meeting Challenges, Pursuing Progress* (Boulder, CO: Lynne Rienner Publishers, 2012), 36 .
7. Christopher Walker and Jessica Ludwig, "The Meaning of Sharp Power: How Authoritarian States Project Influence," *Foreign Affairs*, (November 16, 2017), [www.foreignaffairs.com](http://www.foreignaffairs.com).
8. Wei-chin Lee, "Taiwan's Cultural Reconstruction Movement: Identity Politics and Collective Action Since 2000" *Issues & Studies* 41, no 1 (2005): 1–51.
9. John Henderson, "China, Taiwan and the Changing Strategic Significance of Oceania." *Revue Juridique Polynésienne* 1, no. 1 (2001): 143–55; Timothy S.



- Rich, 2009. "Status for Sale: Taiwan and the Competition for Diplomatic Recognition," *Issues & Studies* 45, no. 4 (2001): 159–88.
10. Alexander C. Tan and Karl Ho. 2017. "Cross-Strait Relations and the Taiwan Voter," in Christopher H. Achen and T.Y. Wang, eds., *The Taiwan Voter* (Ann Arbor, MI: University of Michigan Press, 2017), 162.
  11. *Ibid*, 163.
  12. Cal Clark and Alexander C. Tan, "Identity and Integration as Conflicting Forces Stimulating the Sunflower Movement and the Kuomintang's Loss in the 2014 Elections," *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* 2, no. 1 (2016): 314.
  13. Tan and Ho, 162.
  14. Clark and Tan, "Identity and Integration."
  15. *Ibid*, 314.
  16. *Ibid*, 319.
  17. *Ibid*.
  18. Damian Paletta, Carol E. Lee, and Andrew Browne, "Trump Spoke With Taiwan President in Break With Decades of U.S. Policy," *The Wall Street Journal* (December 2, 2016), [www.wsj.com](http://www.wsj.com).
  19. Cedric Sam, "Taiwan 2020 Election Results," *Bloomberg* (January 11, 2020), [www.bloomberg.com](http://www.bloomberg.com); Kharis Templeman, "Politics in the Tsai Ing-wen Era," in Hans Stockton and Yao-Yuan Yeh eds., *Taiwan: The Development of an Asian Tiger* (Boulder, CO: Lynne Rienner, 2020), 67–96; Ching-Hsing Wang and Dennis Lu-Chung Weng, "Social Issues and Social Policy" in Hans Stockton and Yao-Yuan Yeh eds., *Taiwan: The Development of an Asian Tiger* (Boulder, CO: Lynne Rienner, 2020), 97–116.
  20. *The Economist* "Xi Jinping's Vision: Chasing the Chinese Dream," (2013), <https://www.economist.com/node/21577063/all-comments?page=6>.
  21. Mingfu Liu, *The China Dream: Great Power Thinking & Strategic Posture in the Post-American Era* (New York: CN Times Books, 2015); Yanan Wang, Yanan. "China Will 'Never Seek Hegemony,' Xi Jinping Says in Reform Speech." *Washington Times* (December 18, 2018), <https://www.washingtontimes.com/news/2018/dec/18/china-will-never-seek-hegemony-xi-says-in-reform-s/>.
  22. Alexander C. Tan and Karl Ho, "China Blocked Exports of Rare Earth Metals to Japan, Traders Claim," *Telegraph* (2017) <https://www.telegraph.co.uk/finance/china-business/8022484/China-blocked-exports-of-rare-earth-metals-to-japan-traders-claim.html>.
  23. Alexander C. Tan, Steve Chan, and Calvin Jillson, *Taiwan's National Security: Dilemmas and Opportunities* (Aldershot, UK: Ashgate, 2001).
  24. Karl Ho, Cal Clark, and Alexander C. Tan, "The New Southbound Policies," in Hans Stockton and Yao-Yuan Yeh eds., *Taiwan: The Development of an Asian Tiger* (Boulder, CO: Lynne Rienner, 2020), 133–48.
  25. Nick Aspinwall, "Taiwan Braces for Economic Impact of Global Coronavirus Outbreak," *The Diplomat* (March 6, 2020), [www.thediplomat.com](http://www.thediplomat.com); Steven Mosher, "The World has a Lot to Learn from Taiwan's Hugely Successful Response to the Chinese Coronavirus," *Life Site News* (March 19, 2020), [www.lifesitenews.com](http://www.lifesitenews.com); Dan Shapiro, "Taiwan Shows Its Mettle in the Coronavirus Crisis, While the WHO is Missing in Action." *Brookings Research* (March 19, 2020), [www.brookings.edu](http://www.brookings.edu); Katherine Schultz and Russell Hsiao, "Why Taiwan's Coronavirus Response Shows Europe It



Should Join the World Health Organization,” *National Interest* (March 30, 2020), [www.nationalinterest.org](http://www.nationalinterest.org).

26. Ralph Jennings, “Taiwan Faces Outsized Risk to Economy from Coronavirus Outbreak” *Forbes*, (March 10, 2020), [www.forbes.com](http://www.forbes.com); Roger Tung and Yimou Lee, “Taiwan Trims 2020 GDP, Export Forecast as Virus Risk Heightens,” *Reuters* (February 12, 2020), [www.reuters.com](http://www.reuters.com).

#### Appendix. Real GDP growth

Year	China	Taiwan	United States	NSP	ASEAN
1980	7.9	8.0	−0.3	4.8	6.2
1981	5.1	7.1	2.5	7.2	8.0
1982	9.0	4.8	−1.8	4.8	5.3
1983	10.8	9.0	4.6	4.2	5.2
1984	15.2	10.0	7.2	5.8	5.4
1985	13.5	4.8	4.2	3.6	2.1
1986	8.9	11.5	3.5	3.8	3.0
1987	11.7	12.7	3.5	5.1	4.8
1988	11.2	8.0	4.2	6.4	6.7
1989	4.2	8.7	3.7	6.1	7.8
1990	3.9	5.6	1.9	5.5	6.3
1991	9.3	8.4	−0.1	4.9	5.9
1992	14.2	8.3	3.5	4.9	6.6
1993	13.9	6.8	2.8	5.5	6.5
1994	13.0	7.5	4.0	6.7	7.6
1995	10.9	6.5	2.7	6.2	7.2
1996	9.9	6.2	3.8	6.6	6.9
1997	9.2	6.1	4.4	4.7	4.5
1998	7.8	4.2	4.5	0.6	−1.9
1999	7.7	6.7	4.8	5.3	5.3
2000	8.5	6.4	4.1	6.2	7.0
2001	8.4	−1.3	1.0	4.0	4.5
2002	9.1	5.6	1.7	5.2	6.0
2003	10.0	4.1	2.9	6.1	6.5
2004	10.2	6.5	3.8	6.7	7.4
2005	11.4	5.4	3.5	6.4	6.9
2006	12.7	5.6	2.9	6.7	7.5
2007	14.3	6.5	1.9	6.9	7.1
2008	9.7	0.7	−0.1	4.7	4.6
2009	9.4	−1.6	−2.5	2.7	1.9
2010	10.6	10.6	2.6	6.5	7.2
2011	9.5	3.8	1.6	5.3	5.3
2012	7.9	2.1	2.2	5.5	5.8
2013	7.8	2.2	1.8	4.6	5.2
2014	7.3	4.0	2.5	4.8	4.8
2015	6.9	0.8	2.9	5.0	5.0
2016	6.7	1.5	1.6	4.7	4.6
2017	6.8	3.1	2.4	5.4	5.3
2018	6.6	2.6	2.9	5.1	5.1