

Testimony before the US-China Economic and Security Review Commission

Hearing on

“Political Calculations Underlying Cross-Strait Deterrence.”

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Introduction

Commissioner Goodwin, Commissioner Talent, members of the commission, thank you for inviting me to appear before you today to discuss Political Calculations Underlying Cross-Strait Relations. I have been asked to comment on Taiwan's defense strategy, assessments of the Taiwan public's "will to fight," and long-term political, economic, and military trends in cross-Strait relations. My testimony draws on workshops and private meetings I have been a part of over the past several years, as well as recent survey data on Taiwanese public opinion and other open-source materials.

Bottom line up front: I believe that the greatest threat to Taiwan over the long run is not the growth of China's hard military power but instead its sharp power—and especially its expanding economic influence and concomitant rising leverage over the rest of the region. I worry that by focusing narrowly on the cross-Strait military balance, we in the United States risk overlooking other equally serious long-term threats to Taiwan's freedom, prosperity, and survival as a de facto independent state.

Clearly, the military challenge that China poses to Taiwan should not be taken lightly, and it is critically important for the US to work with our friends and partners in the Western Pacific to strengthen Taiwan's ability to defend itself against the possibility of invasion.

But it is also important to recognize that the challenges China poses to Taiwan are broad and multifaceted, and that its toolkit extends well beyond hard military power to encompass diplomatic pressure, economic coercion, and a growing array of disinformation and influence operations. Beyond our hard-power strengths, the United States does not currently have a particularly strong toolkit of our own to counter Beijing's rising influence in the region. Thus, a central objective of the broader US Free and Open Indo-Pacific strategy should be to expand and diversify the ways in which we exercise influence on behalf of our allies and partners in the region—including, but not limited to, Taiwan—and to think more carefully about how we might counter China's attempts to refashion the region's political and economic arrangements beyond FONOPS and other brute displays of military force.

1. Taiwan's Defense Strategy

For many years, Taiwan's defense strategy was based on the assumption that it could maintain a qualitative military advantage over its adversary across the Strait, even as it faced a massive quantitative disadvantage. Taiwan's development into an economic powerhouse gave it the industrial and financial foundation to support this strategy, and its access to overseas weapons suppliers allowed it to supplement its own indigenously developed systems and platforms with leading technology and equipment acquired from abroad. Though its own population was dwarfed in size by mainland China's, the imposition of a universal conscription with a two-year service requirement allowed the Ministry of National Defense (MND) to maintain a force of at least half a million at any one time, with all able-bodied men who had completed their service remaining part of a large reserve pool that could be called up to supplement the regular armed forces in the event of a national emergency.

Taiwan's relative advantage in the cross-Strait military balance peaked in the mid-1990s. At that point, the MND's overall defense budget was roughly one-half of that of the People's Liberation Army (PLA). As the demand for arms fell in the wake of the Cold War, Taiwan also enjoyed significant bargaining power and was able to sign major arms deals with suppliers from several countries at relatively low prices. Notable sales included 150 F-16s (announced in 1992) and 8 Knox-class destroyers (1990s) from the US, and 60 Mirage fighter jets (1992) and 6 Lafayette-class frigates (1991) from France.

Then, three things changed. First, the PRC economy boomed, while Taiwan's slowed. Along with 20 years of double-digit growth rates in mainland China came significant increases in military spending. The PLA's annual budget grew from twice the size of Taiwan's in 1992 to over 25 times in 2019. It is worth noting that, at least until very recently, these budget increases have been in proportion to China's economic expansion: defense spending in the PRC has consistently hovered around roughly two percent of GDP for the last two decades. Nevertheless, given the rapid pace of economic growth, these additional fiscal resources have been sufficient to support an ambitious program of military modernization and upgrading, which has substantially eroded the qualitative advantage Taiwan's armed forces used to enjoy over the PLA. It has also allowed defense planners in the PRC to develop an increasingly sophisticated array of ways to threaten US forces were they to attempt to intervene in a Taiwan conflict.

The second change was that Taiwan transitioned to full democracy. In 1996, President Lee Teng-hui won the first direct presidential election in Taiwan's history, defeating challengers from the pro-independence left and the pro-unification right. Lee's successful campaign was based in part on promises to expand social welfare programs and increase infrastructure spending. Responding to pent-up electoral demands, the central government rolled out a universal health insurance plan in 1995, followed later that decade by more generous and comprehensive social security and unemployment benefits programs. It also poured additional money into the construction of mass transit systems, highways, and a high-speed rail line.

At the same time, Taiwan's defense budget flatlined. Unlike social welfare or infrastructure, spending on the military was not a vote-winner for presidential candidates or legislators. In addition, the opposition Democratic Progressive Party (DPP), long suspicious of the military's

close association with the ruling Kuomintang (KMT) during the martial law years, was a persistent critic of the MND and favored cuts to the defense budget. After the DPP candidate Chen Shui-bian won the 2000 presidential election, military spending, and especially arms procurement from the United States, became a partisan issue. Ironically, the parties' roles were reversed from the 1990s: while some in the DPP still viewed arms sales as a waste of money and a sop to politically influential US defense contractors, it was the KMT that emerged as the strongest critic of increased defense spending and special budgets for new weapons. The KMT-led legislature blocked, froze, or cut items from the MND's budget, while some of its leading legislators derided US arms sales as an unnecessary and dangerous provocation of Beijing. Chen's successor, Ma Ying-jeou of the KMT, acknowledged the problem of declining defense budgets and pledged to raise military spending to at least three percent of GDP, but the outlays for defense instead continued to decline in real terms over his eight years in office. By 2016, Taiwan's actual military spending had fallen to under two percent of GDP, and its annual defense budget of roughly US\$10 billion was in real terms below that of 1994.

Electoral pressures also led the legislature to support a reduction in the length of conscription: first from two years to one year six months, then to a year, and then to only four months. In 2012, President Ma approved an MND plan to transition to an all-volunteer force and end conscription entirely by 2016. This plan was broadly popular and won support across party lines. However, the final implementation of the all-volunteer force has been repeatedly delayed due to consistent recruiting shortfalls, and as of 2020 all able-bodied Taiwanese men of military age are still required to complete four months of service.

The third change was China's growing international influence. Up through the early 1990s, many countries were willing to sell arms to Taiwan over vociferous objections from Beijing. By 2000, however, the PRC's ability to apply diplomatic and economic pressure to other countries had grown to the point where no other major arms exporter besides the United States was willing to risk the wrath of Beijing to approve new weapons sales to Taipei. Over the same time period, the approval process in the US for new sales to Taiwan became increasingly politicized and irregular over time, under both Republican and Democratic administrations.

Together, these trends have fundamentally reshaped Taiwan's strategic defense environment. The days when the Taiwan military could realistically seek to maintain air and sea superiority in the Taiwan Strait, and to prevail in any limited, conventional conflict with the PLA, are gone and are not coming back. Taiwan's increasing diplomatic isolation, slowing economy, aging population, and looming fiscal obligations mean that the country can no longer support a military capable of deterring an attack from mainland China using conventional means.

The Overall Defense Concept (ODC)

The adaptation of Taiwan's national defense strategy to this new reality has lagged far behind a recognition of these worrisome trends. While decision-makers in the security and defense establishments have included elements of "asymmetric warfare" in strategy documents for at least a decade, the most important shift occurred in 2017, when Taiwan's Chief of General Staff, Admiral Lee Hsi-ming, proposed a fundamentally new approach that became known as the Overall Defense Concept (ODC). If fully and successfully implemented, the ODC offers a

realistic framework for how to successfully deter and, if necessary, defeat an attempted PLA invasion of Taiwan.¹

The ODC builds on a recognition of three fundamental facts about the cross-Strait relationship. The first acknowledges the sobering reality that the resource and capability gap between Taiwan and the PRC is now already quite large, and that it will only continue to widen over the next few decades. As I noted above, Taiwan’s military is facing significant resource constraints and must operate in an environment where its chief adversary has not only huge quantitative advantages but also increasingly large qualitative ones as well. Taiwan simply no longer can hope to “win” or even fight to a draw in a conventional war of attrition with the PRC.

The second fact is more encouraging: while Taiwan’s armed forces will not be able to win a conventional fight with the PLA, they also do not need to in order to preserve Taiwan’s freedom. Instead, they need only to be able to deter and, if necessary, defeat an attempted invasion and occupation. Under Xi Jinping, China’s ultimate goal is to achieve the political annexation of Taiwan into the PRC and place it under the control of the Chinese Communist Party (CCP). The PLA can already strike targets in Taiwan, and there is little that Taipei would be able to do to prevent a missile barrage from devastating much of the island’s critical infrastructure. That threat has been enough to prevent Taiwan’s leaders from pursuing a declaration of *de jure* independence, but—critically—it has *not* been enough to compel political talks or to force Taiwan’s people to accept unification under the so-called “One Country Two Systems” formula that Beijing favors. Instead, to achieve its ultimate political objective, the CCP needs not only the ability to impose costs on Taiwan’s leaders and people but also the capacity to invade, topple the Taiwanese government, put down any remaining resistance, and establish a new political regime that is beholden to Beijing and has at least the passive acquiescence of the large majority of Taiwan’s people.

That is a much, *much* tougher objective to achieve than lobbing missiles at Taiwanese runways or seizing ships headed for Taiwanese ports. It requires establishing air superiority in the skies over and around the island and effective control over the waters of the Taiwan Strait for at least several days, and more likely weeks on end. It requires preparing and protecting the transports that will have to move tens of thousands of troops across the Strait, and the logistical capacity to support and reinforce them regularly once they are ashore. It requires operating in territory that heavily favors the defenders, including the densely populated urban and suburban landscapes of Taiwan’s west coast and the rugged and mountainous interior. It requires the location and elimination or capture of all remaining organized resistance, and the subjugation of a hostile population of over 23 million people.

Moreover, a successful invasion of Taiwan would also require doing all this while at the same time delaying or deterring an intervention from the United States. The threat that a US response poses to the invasion objectives means that the PLA needs to put a big premium on speed—ideally presenting the rest of the world with a *fait accompli* before an effective response can be

¹ See Drew Thomson, “Hope on the Horizon: Taiwan’s Radical New Defense Concept,” War on the Rocks, October 2, 2018 <https://warontherocks.com/2018/10/hope-on-the-horizon-taiwans-radical-new-defense-concept/>; Lee Hsi-min and Eric Lee, “Taiwan’s Overall Defense Concept, Explained,” *The Diplomat*, November 3, 2020, <https://thediplomat.com/2020/11/taiwans-overall-defense-concept-explained/>

rallied and sufficient forces moved into position—and on surprise, perhaps by disguising an invasion attempt and pre-emptively striking American military targets that would be expected to intervene. But an invasion attempt the size of the one needed to take and hold Taiwan would be very difficult to disguise, as it requires calling up forces from around the country and putting them on board slow transports in ports all across coastal Southeast China—activity that would almost certainly be detected well in advance of an attack. Moreover, a pre-emptive attack would probably have to target not only forces on American soil but also sites in Japan, where the nearest US forces are based. In other words, were Chinese leaders to seriously contemplate launching an invasion of Taiwan, they would not only have to hope the PLA could pull off an enormously complex, logistically and tactically challenging operation the likes of which it has never before attempted, but also be willing to risk getting into a global conflagration involving not only the United States but also Japan, actively supported by other regional military powers.

Further complicating the political calculus for a Taiwan contingency is the all-or-nothing nature of the challenge. Any military campaign short of a full invasion and occupation does not resolve the “Taiwan problem” in the CCP’s favor, and in fact probably makes the prospect of political unification even more remote. For instance, the seizure of offshore islands (Taiwan-held Spratly Island and Taiping Island (Itu Aba) in the South China Sea, and the Taiwan-controlled territories of Kinmen and Matsu off the coast of Fujian Province are the most obvious) would do nothing to advance the goal of unification while alarming China’s neighbors, rallying the Taiwanese public against the Chinese threat, and accelerating the development of an anti-China coalition among the region’s military powers—led, most likely, by the members of the Quad. Similarly, a PRC-imposed sea and air blockade that attempts to force political concessions out of Taiwanese leaders is not likely to succeed quickly, if ever—but it will rile up other countries with important trade ties with Taiwan, destabilize the region’s economies, and rally domestic and foreign public opinion behind Taiwan’s leaders.

Thus, nothing short of successful occupation will resolve the “Taiwan problem” in a way that satisfies the CCP’s objectives. Taiwan’s ODC makes this fact explicit, and builds a defense strategy around it. It defines “winning the war” not as fending off missile attacks, breaking blockades, or defending offshore islands, but rather as preventing the CCP from exerting political control over the island of Taiwan. This means that Taiwan does not need to possess the offensive firepower to project force well beyond its territory and to go head-to-head with the PLA. It only needs to maintain capabilities that enable it to foil an attempted invasion of the home island.

The ODC also recognizes a third fact: given the current state of military technology, playing defense is a lot easier—and cheaper—than playing offense. Building and maintaining a force that can project offensive firepower over long distances to achieve military aims is extremely expensive. By contrast, the force needed to defend effectively against such attacks is, in general, far cheaper and simpler to field.² Thus, rather than acquiring the latest-generation fighter jets, the ODC calls instead for prioritizing the acquisition of small, cheap, and mobile anti-aircraft and anti-ship weapons systems, including mobile radar platforms, precision-guided munitions,

² See Eugene Gholz, Benjamin Friedman & Enea Gjoza, “Defensive Defense: A Better Way to Protect US Allies in Asia.” *The Washington Quarterly* 42(2): 1717-189.

coastal defense cruise missiles, man-portable air-defense systems, and high-mobility rocket systems. And rather than investing in new large, conventional warships, the ODC gives priority to fielding small fast attack craft and missile-assault boats that can ply the littoral waters and hide among Taiwan's fishing fleet, as well as investing in new mine-laying capabilities. In combination, these capabilities can be acquired and deployed within the MND's limited budget, while still greatly complicating PLA planning for an invasion.

Implementation of the ODC in Practice

In public statements, Taiwan's civilian and military leaders have expressed strong support for the ODC as the guiding framework for Taiwan's national security strategy. President Tsai herself has on multiple occasions endorsed the concept and pledged to adapt Taiwan's procurement and training priorities to its requirements.

Nevertheless, Taiwan's recent military acquisitions have not been fully consistent with the emphasis on "asymmetric systems" that is so central to the ODC. For instance, in the last two years, Taiwan has purchased 108 M1A2 Abrams tanks (at a cost of US\$2 billion) and 66 F-16V fighter jets (\$8 billion) from the United States, and begun construction on eight domestically-produced diesel-powered submarines (at a total estimated cost of \$8 billion.) For a country with an announced defense budget in 2021 of only US\$15 billion, these are major outlays that threaten to eat up much of the MND's procurement budget for years to come.

There are at least three public justifications for these deviations from the core priorities of the ODC. First, Taiwan's armed forces have to meet a variety of important peacetime missions as well, including patrolling Taiwan's nearby airspace and waters. Indeed, the ODC itself acknowledges the importance of these missions and calls for maintaining a "low quantity of high-quality platforms" to meet them. From this perspective, the F-16V purchase, in particular, has considerable merit; the large majority of Taiwan's fighter fleet is more than 20 years old, and it is facing increased wear and tear as PLA air force incursions into Taiwan's ADIZ have become routine over the last two years. F-16s already make up the bulk of Taiwan's air force, so the additional planes can be smoothly integrated into Taiwan's existing fleet without much additional cost. Second, the acquisition of high-profile, "prestige" weapons systems provides a boost to military morale and increases public confidence in the armed forces. The Taiwanese public has long harbored significant doubts about how the military would fare in a conflict with the PRC—concerns that are routinely amplified by CCP influence campaigns—so the purchase of new military hardware has significant domestic propaganda value. Third, arms sales from the United States have an additional benefit—they are a high-profile signal that the US remains committed to Taiwan's defense and willing to bear the costs imposed by the PRC in order to continue that support.³

Another, more problematic driver of Taiwan's procurement decisions is inter-service rivalries. It is not an accident that the three most recent big purchases of "prestige" systems have each gone to a different service: the Abrams tanks to the Army, the submarines to the Navy, and the F-16Vs to the Air Force. In the context of the ODC, it does not make sense to devote scarce procurement

³ On this point, see Tanner Greer, "Taiwan's Defense Strategy Doesn't Make Military Sense – But It Does Make Political Sense," *Foreign Affairs* September 17, 2019, at: <https://www.foreignaffairs.com/articles/taiwan/2019-09-17/taiwans-defense-strategy-doesnt-make-military-sense>

funds to new tanks. But in the context of inter-service rivalries, tanks are the Army's top priority, and in the traditional competition between services, its "turn" to acquire a top priority had finally come around. Hence the purchase of tanks, which, in the event of a PLA invasion, are vulnerable to air attack and will find it difficult to maneuver into position around the rice paddies and fish ponds of Taiwan's western mud flats.

The decision to build an indigenously designed submarine is another example of sub-optimal allocation of scarce resources. Taiwan currently has only four submarines, two of which date back to the 1950s and are used mostly for training purposes. These boats would be of little consequence in a cross-Strait conflict. Upgrading the submarine fleet has long been a top priority for the Navy, which has argued that fielding submarines is consistent with the "asymmetric warfare" concept. But unlike tanks or fighter jets, submarines could not be purchased from a foreign supplier. The US no longer makes diesel submarines, so could not sell them to Taiwan. And other countries which do were unwilling to incur the political and economic costs of selling them over China's objections.

Thus, the MND ended up deciding to support the domestic manufacture of submarines. There are at least three problems with this decision. First, Taiwan's defense companies have no previous experience building submarines, so the MND has had to help them develop the capacity to do so from scratch. As a consequence, the indigenous diesel submarine (IDS) program will require a lot of learning and troubleshooting of the inevitable problems that emerge during construction. Second, the cost of the submarine program is conservatively estimated at \$US 8 billion over the next decade—that is, roughly three-quarters the size of Taiwan's *annual* defense budget. It is a huge outlay in relative terms. Third, even if construction proceeds according to plan, the earliest Taiwan will launch a new submarine is in 2025, and at full build-out will be able to maintain and operate only 8 vessels.⁴ An equally effective deterrent could be achieved via a much larger number of small fast attack craft equipped with anti-ship missiles and able to disguise themselves in Taiwan's 200-odd fishing ports.

The IDS program is a good illustration of the crucial tradeoffs that the MND faces in its procurement decisions: between cost-effectiveness and prestige. There is a long-standing bias among the military brass for prestige weapons, and powerful political and bureaucratic interests continue to favor these over smaller, cheaper, and more resilient platforms. Thus, despite the compelling rationale laid out by the ODC for buying "a large number of small things," and President Tsai's strong public endorsement of this approach, there are still strong incentives within the armed forces to favor more conventional weapons systems and training. Absent consistent outside pressure, either from civilian leaders in Taiwan or the United States, the MND is likely to shrink from making the tough budgetary trade-offs that the ODC calls for over the long term.

2. Assessing Taiwan's "Will to Fight"

⁴ See Michael A. Hunzeker and Joseph Petrucelli, "Time for Taiwan to Scrap the Indigenous Diesel Submarine," *The Diplomat*, November 30, 2019, at: <https://thediplomat.com/2019/11/time-for-taiwan-to-scrap-the-indigenous-diesel-submarine/>

In the event of a conflict between Taiwan and the PRC, a crucial variable is the Taiwan's people's own willingness to defend their country. This is a difficult outcome to measure directly and consistently, relying as it does on answers to hypothetical questions. Nevertheless, we do have several kinds of evidence from which we can attempt to assess the resilience of Taiwan's government, military, and ordinary citizens in the face of PRC aggression. These include public opinion data, enlistment patterns, and annual budgets.

Public Opinion: Taiwanese Have Confidence in the US but not Their Own Military

There is a wealth of public opinion data on Taiwanese attitudes toward security and defense issues. The gold standard in public opinion research on these issues is the Taiwan National Security Survey (TNSS), conducted regularly since 2002 by the Election Study Center at National Chengchi University, Taipei.⁵

TNSS has routinely asked several questions of relevance to this discussion. These data provide a mixed picture of Taiwan's resilience in the face of threats from the PRC. Taiwanese have tended in recent years to have a rather negative view of the military's ability to protect Taiwan in the event of a PLA invasion. For instance, in the most recent survey, fielded in the fall of 2020, only 33 percent of respondents believed the military would be able to adequately defend Taiwan on its own, while 60 percent believed it would not. This skepticism is broadly consistent with responses from previous years.

In contrast, a much larger share of respondents expressed confidence in their fellow Taiwanese. When asked what they thought others would do in the event of a PRC attack against Taiwan, a large majority – 72 percent – thought most people would “resist.” Only 20.5 percent of respondents thought otherwise.

The majority of Taiwanese also have confidence in the United States to protect Taiwan. In the 2020 survey, 67 percent of respondents agreed that the US would send forces to respond if a PRC attack were unprovoked, and 52 percent believed it would still act to defend Taiwan even if an attack came as a result of a declaration of independence.

These data are consistent with findings from another prominent survey conducted by the Taiwan Foundation for Democracy (TFD) in 2019. That survey reported that 68.2 percent of respondents said they would “fight for Taiwan” if the PRC used force to attempt to achieve unification. Notably, the share expressing this view was slightly higher in the 20-29 age group who would be most likely to bear the consequences of a war with China: 72.5 percent of respondents in this group said they would fight to defend Taiwan.⁶

Another useful piece of evidence comes from a set of survey experiments that the political scientist Austin Wang conducted in 2018 and presented at a conference held at Stanford University.⁷ In one experiment, Wang divided respondents into three groups. The first was asked

⁵ Data available at: <https://sites.duke.edu/pass/taiwan-national-security-survey/>

⁶ See Taiwan Foundation for Democracy survey at: <http://www.taiwandemocracy.org.tw/opencms/english/events/data/Event0790.html>

⁷ See “Monitoring the Cross-Strait Balance: Taiwan's Defense and Security,” pp. 22-23. Available at: https://www.kharistempleman.com/uploads/1/5/8/5/15855636/monitoring_the_cross-strait_balance.pdf

only about their willingness to resist. The second was told that 82 percent of Taiwanese had said they would resist, while the third was told only 18 percent of Taiwanese said they would. At baseline, 50 percent of those in the first group expressed a willingness to resist. Willingness to resist increased to 60 percent among the second group, and dropped to 40 percent among the third group. This result suggests that a collective response from Taiwanese to a Chinese attack will depend to some degree on what ordinary Taiwanese believe their fellow citizens will do.

In another experiment, respondents were divided into four distinct groups, and asked whether they would fight against a PRC attack. Each group was given a different scenario based on whether the attack was triggered by a declaration of independence in Taiwan and whether the United States indicated it would intervene on Taiwan's behalf in the conflict. Somewhat surprisingly, the most important factor was whether the United States would intervene—willingness to fight was not affected much, if at all, by whether a declaration of independence triggered an attack.

In sum, these data are consistent with three key findings. First, Taiwanese on the whole are not very confident about their own military's ability to defend the country alone against an attack by the PRC. Second, they are on average much more confident that most of their fellow compatriots would actively resist an attack—and their own reaction is likely to depend on how many others follow through on that resistance. And third, the majority of Taiwanese remain confident that the United States would intervene to stop a PLA invasion, even if Taiwanese leaders themselves triggered an attack by declaring independence, and are willing to participate in the defense of Taiwan as long as the US is also involved.

Behavior: Young People Don't Want to Join the Military

If the majority of Taiwanese express a willingness to resist a PLA invasion and confidence that their compatriots will also remain willing to fight in the face of PRC aggression, their actual behavior tells a rather different story. Since the transition to an all-volunteer force (AVF) was first announced in 2012, the MND has consistently failed to meet its recruitment targets and has repeatedly had to push back the end-date for mandatory military service.⁸

In order to attract and retain volunteers, the MND has significantly increased pay and benefits to the point where they are very competitive with civilian employment. For example, those personnel who are stationed outside the main island of Taiwan, such as Taiping Island (Itu Aba) in the South China Sea, have received increases in hardship pay of up to 60 percent. Those who re-enlist for an additional three years after their four-year terms are completed are eligible for an NT \$100,000 bonus (approximately USD \$3,000, or one-fifth of Taiwan's median income). Improvements in living facilities and other benefits, including lifelong learning opportunities, have also been implemented.

Nevertheless, as of 2018, the MND had filled only 82.5 percent of its authorized strength. To meet its target of 90 percent by 2020, the MND increased investments in its recruiting centers,

⁸ Much of this section is drawn from "Monitoring the Cross-Strait Balance," pp. 25-28.

introduced or expanded ROTC programs on college campuses, and strengthened relationships with high schools.⁹

The biggest challenge to recruitment is the relatively low prestige of Taiwan's military. As I noted above, a large majority of respondents in recent surveys have "little or no confidence" that the Taiwanese military could prevail in a fight with the PLA. A more fundamental problem is that military service has little cachet in contemporary society and is viewed by many young people as a career of last resort. The low social status of military service creates a particularly challenging environment for recruitment, and the MND has been forced to offer aggressive and competitive salaries and benefits to attract volunteers.

This problem has not gone unnoticed. Elite signals of support for Taiwan's military personnel are generally quite good. President Tsai, for instance, has visited a military establishment on average once a week during her presidency, and she routinely praises the importance of military service and the armed forces' readiness to defend Taiwan.

Nevertheless, the MND's consistent struggles to meet annual recruitment quotas suggest that, in practice, young Taiwanese are wary of military service and less willing to make sacrifices to defend their country than public opinion surveys might indicate. Alternatively, the public opinion data could support a more positive takeaway as well: that if mass public support for, and confidence in, the military were to increase, a much larger share of Taiwanese might then be willing to volunteer to serve in the armed forces.

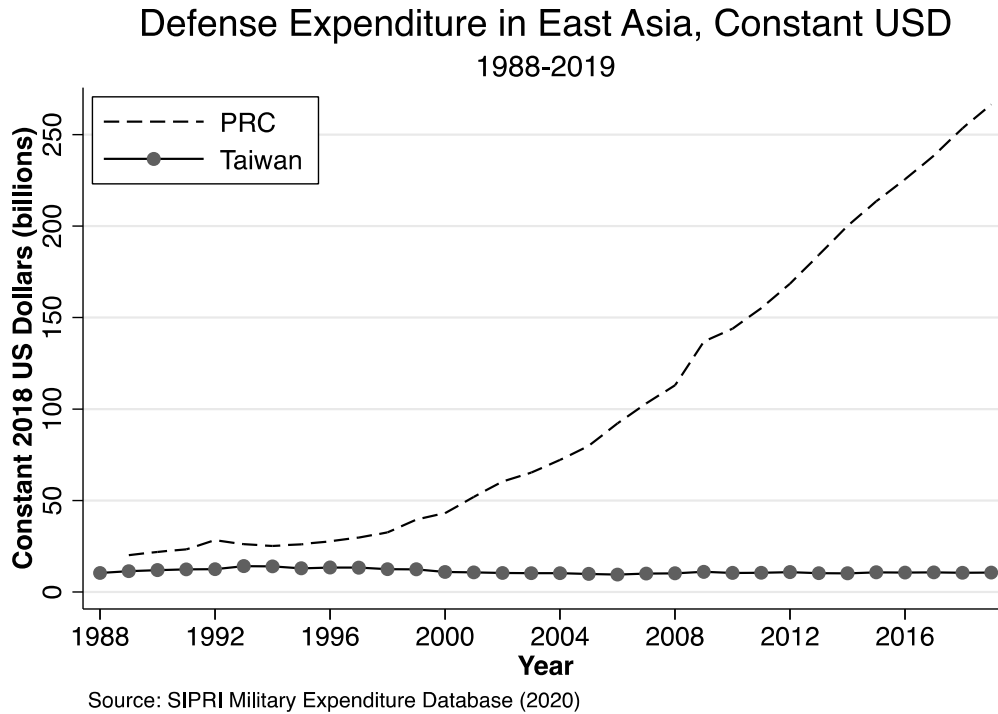
Budgets: Taiwan's Share of Spending Going to Defense Is Lower than Peer States

Budgets are a reflection of priorities. In a democracy, drafting an annual budget requires making hard tradeoffs between competing goals and, typically, different political constituencies. The way that the Taiwanese government has allocated resources across different categories of spending over the years can tell us a great deal about how this political process has actually played out, and how national defense has measured up against other priorities.

Figure 1 below shows Taiwan's realized defense-related annual spending from 1988 to 2019, plotted against the PRC's. The picture here is stark: from a ratio of less than 2-to-1 in 1990, the PRC's defense spending has rapidly increased over the past 30 years, while Taiwan's has remained stagnant, so that the ratio in 2019 is more than 25-to-1 and continuing to grow with each year. This resource gap is the most fundamental reason why the defense strategy that Taiwan pursued in the 1980s and 1990s is no longer feasible today.

⁹ For more on recruitment problems, see Paul Huang, "Taiwan's Military is a Hollow Shell," *Foreign Policy*, February 15, 2020, at: <https://foreignpolicy.com/2020/02/15/china-threat-invasion-conscription-taiwans-military-is-a-hollow-shell/>

Figure 1.



In Figure 2 below, I have plotted defense spending as a share of GDP for Taiwan, the PRC, and three peer countries: Japan, South Korea, and Singapore. Here the decline in overall share of GDP going to defense over time in Taiwan appears especially striking when contrasted with the other four countries. In 1988, when Taiwan was still at the beginning of its gradual transition to democracy, its spending on national defense led the region at over 5% of GDP. But by 2006, it had fallen further faster than any other country, to a shade over 2% of GDP, where it has remained more or less ever since. As I noted above, this decline in defense spending was driven to a great degree by the electoral demands unleashed by Taiwan’s democratization. Unlike social welfare and infrastructure spending, there was not an electorally influential constituency that favored military spending. As a result, elected leaders increasingly shifted resources away from the defense budget and into other areas.

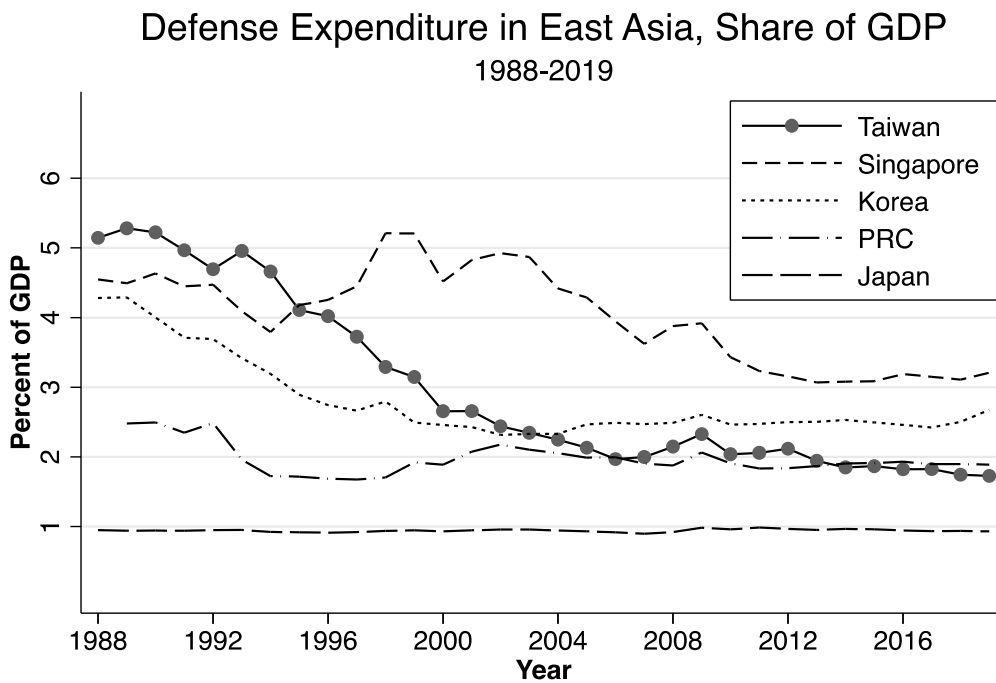
Even if we take into account the effects of the transition to democracy and the changing political economy of defense over this period, Taiwan still looks like an outlier in the region. Despite facing what is arguably the most serious existential threat in East Asia, Taiwan in 2019 actually spent less on defense as a share of national GDP than every country except Japan. The military’s share of GDP in Taiwan was even slightly lower than in the PRC, and has been since 2016.

South Korea provides a particularly revealing contrast, as Figure 3 shows. In many ways, Taiwan and South Korea are close cousins. Both began as anti-communist dictatorships, linked in defense alliances to the United States. Both were heavily militarized and oriented from their earliest years toward defending against an existential external threat. Both grew rapidly during the 1960s through the 1990s, fueled by export-oriented industrialization. Both transitioned to democracy at about the same time and over the same period, beginning in the last 1980s and

concluding in the 1990s. And both face similar demands for social welfare spending, and similar demographic challenges.

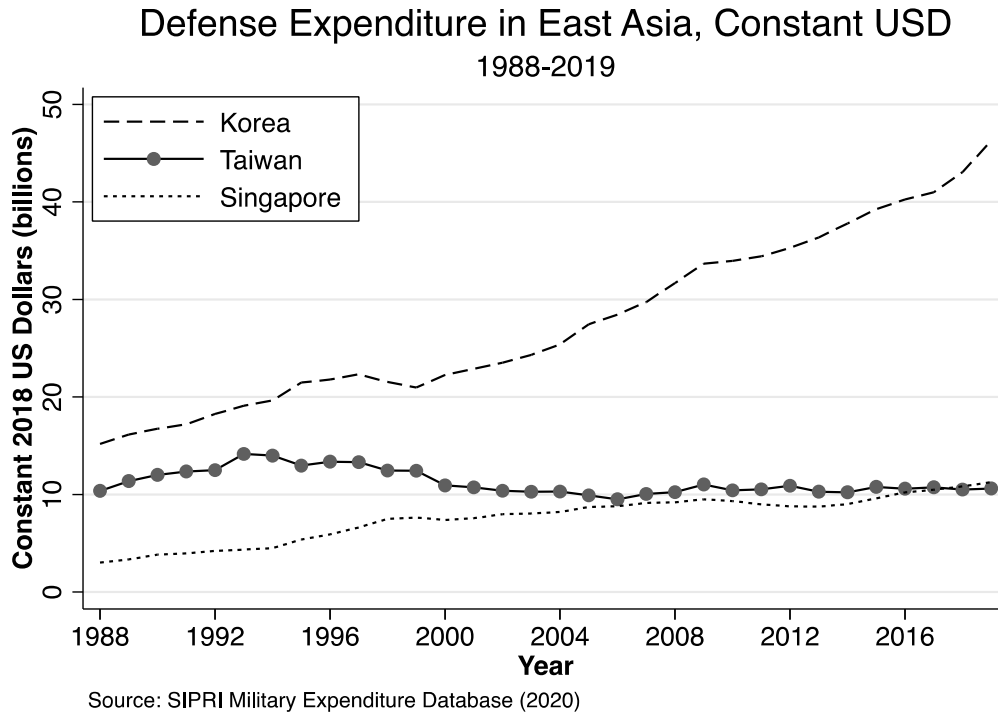
Nevertheless, South Korea has consistently spent at least 2.5 percent of GDP on defense, in contrast to Taiwan, and it has not phased out conscription. Instead, the gap between South Korea and Taiwan's defense expenditures has widened over the last 25 years. In 1994, Taiwan spent roughly 2/3 of Korea's annual defense appropriation. In 2019, it spent less than 1/3. The comparison with Korea suggests that Taiwan can and should do more than it has in recent years to provide for its own defense.

Figure 2



Source: SIPRI Military Expenditure Database (2020)

Figure 3.



3. Non-Military Threats to Taiwan’s De Facto Autonomy

In my view, the greatest threat to Taiwan’s long-term survival as a de facto independent country and liberal democracy stems from China’s growing sharp power, not its hard power. Taiwan faces a serious external military threat, and it is right to take that threat seriously. But, as the Overall Defense Concept demonstrates, with the implementation of a realistic strategy and coherent policies, Taiwan can for decades to come effectively counter the PRC’s hard power threat and deter an invasion or attack.

Moreover, Taiwan’s vibrant civil society, deepening democratic values, and growing sense of civic nationalism provide the foundation for a resilient democracy and support for a more robust, democratically constituted armed forces. Revamping and raising the prestige of military service and bolstering the resources available for Taiwan’s defense are difficult political challenges, but ones that, with far-sighted leadership, can be achieved. These are all steps that Taiwan’s leaders can take on their own, without needing outside support from the United States or other countries.

What is more difficult to change, and will likely require significant external support in the face of concerted PRC pressure, is Taiwan’s economic vulnerability and diplomatic isolation. On the former, despite efforts by the Tsai administration to shift trade and investment away from mainland China and toward Southeast Asia, roughly 30 percent of all of Taiwan’s total trade is still with the PRC, reaching US\$150 billion in 2018. Taiwan is heavily trade dependent, and its integration with the mainland economy presents an increasingly serious security vulnerability. Beijing has not been shy in other cases about using the economic leverage its huge market gives

it to try to advance its political and diplomatic objectives—as, for instance, it has recently done by delaying or blocking a variety of Australian imports as “punishment” for that country’s call to investigate the origins of the COVID-19 virus. To date, the PRC’s use of economic leverage over Taiwan has been much more subtle; Beijing risks fatally undermining what remains of its long-standing policy of using economic attraction to increase pro-unification sentiments on the island if it moves too far too fast. But it is not hard to imagine a switch in strategy, one that uses Taiwan’s economic dependence on mainland markets to pursue a much more aggressive and openly coercive economic pressure campaign against a leader that Beijing decides it does not like.

In the long run, Taiwan’s ability to resist such economic pressure depends on developing a more diversified set of trading partners and integrating more fully with other advanced economies in the region—perhaps by winning membership in regional trade agreements. The problem it faces here is that Beijing is on the verge of wielding veto power over Taiwan’s entry into the most promising new economic arrangements, as well. China is a founding member of the Regional Comprehensive Economic Partnership (RCEP), and therefore can directly block any attempt by Taiwan to join. But it also threatens, via its influence over one or two of the founding members of the Trans-Pacific Partnership, to wield a veto over Taiwan’s membership in the successor to that group, the CPTPP. Membership in the latter, especially, would serve deepen Taiwan’s economic and regulatory ties to other countries in the region. If, during the next four years, the Biden administration decides it is interested in joining the CPTPP, it would do a huge favor if it insisted that Taiwan be included in accession negotiations at the same time. With US backing, Taiwan’s shot at winning membership would be considerably better, and its long-term economic future more secure.

Further integration with other regional economies is also important for Taiwan because it faces a looming demographic crunch. As in South Korea, Singapore, and Japan, the country’s fertility rates have plunged, and it is quickly transitioning to a “super-aged” society; there are currently twice as many 40-year-olds as 10-year-olds. Because of its rapidly aging population, Taiwan’s economic prosperity will be increasingly dependent on trade-fueled demand, perhaps supplemented by an increase in immigration. Mitigating and managing this demographic decline will be made easier if Taiwan remains open to the rest of the world and well-integrated into a developing trans-Pacific economic community.

4. Recommendations for Congress

1. Recommend or mandate that the Department of Defense take a more active role in advising Taiwan on procurement, doctrine, and training, consistent with the stated objectives and approach of the Overall Defense Concept. External pressure from the United States may be necessary to overcome bureaucratic resistance within the Taiwanese military officer corps and ensure scarce defense resources are being allocated in a cost-efficient manner.
2. Encourage the Department of Defense to deepen and expand opportunities for Taiwanese soldiers to train with American counterparts, both in Taiwan and the United States. One early step to signal this change would be to invite Taiwan to participate in this year’s RIMPAC

exercises. This training would not only be beneficial to Taiwanese military personnel, it would also help raise the profile and prestige among a domestic audience. DoD personnel might also be encouraged to advise Taiwan on developing a more robust system of unit-level reserves, capable of mobilizing on short notice.

3. Recommend that the US government expand cooperation between Taiwanese agencies and their US counterparts to meet “unconventional” security threats. In particular, Taiwan has considerable expertise in Chinese influence operations, and it is the most important remaining source of uncensored Chinese-language news and political commentary in the world. Working with the Taiwanese to better understand and counter the expansion of Chinese sharp power has the potential to pay significant dividends for both sides. Other promising areas to expand cooperation in might include cybersecurity, disaster relief, fisheries management, and infectious disease control.

4. Recommend that the USTR open bilateral trade negotiations with Taiwan as soon as is feasible. Taiwan needs economic gestures of support as well as military ones, and bilateral trade talks would be a clear sign of deepening cooperation. If the Biden administration eventually decides to re-commit to negotiations for the CPTPP, use the leverage this opportunity offers to insist on Taiwan’s (and South Korea’s) participation in membership negotiations as well.