



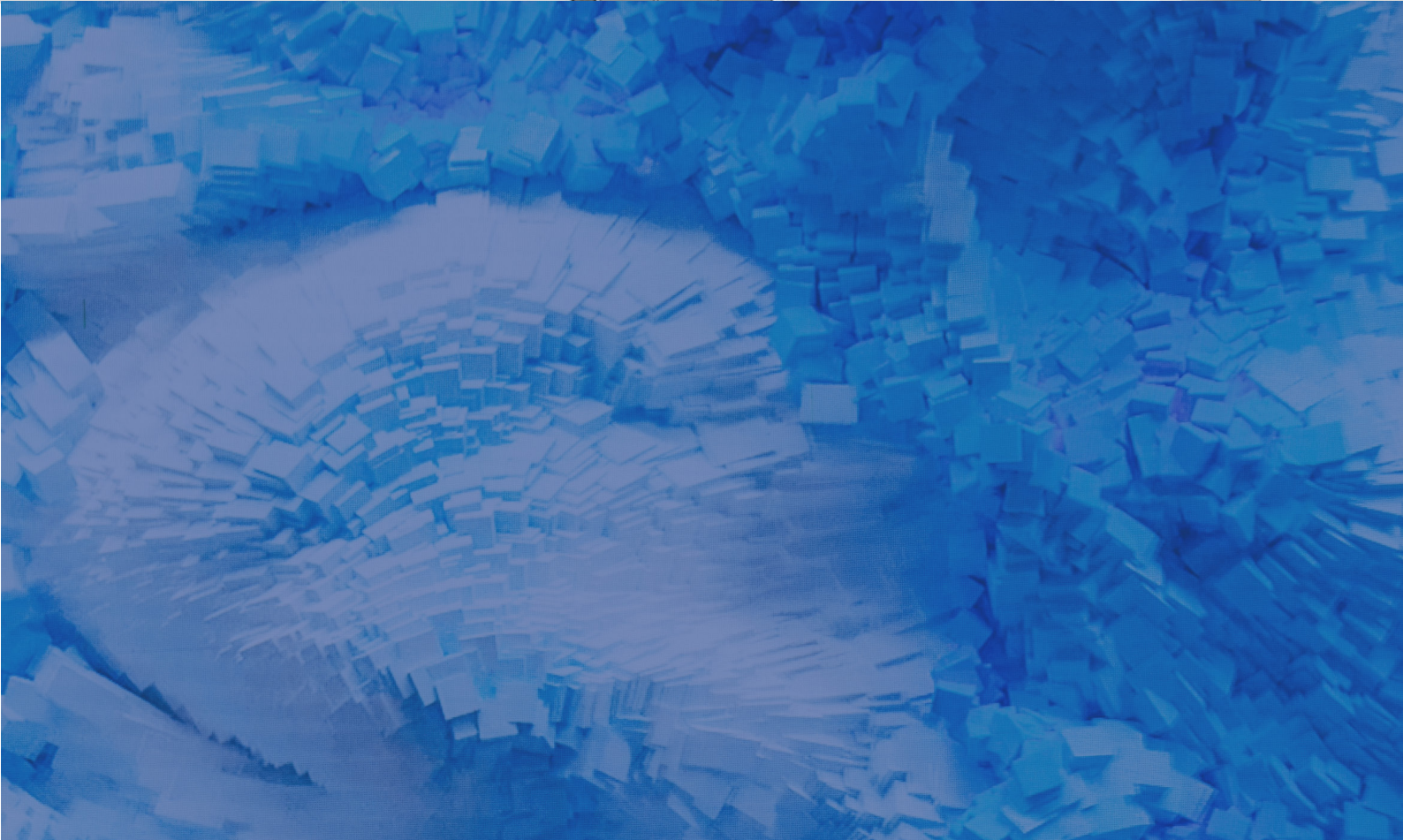
The Habibie Center

Academic Research Report

Recent Developments in Cross-Strait Relations: US-
China-Taiwan Triangular Relations and Potential
Spillovers to Southeast Asia

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About The Habibie Center

The Habibie Center was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, nongovernmental, nonprofit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values.

The missions of The Habibie Center are first, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and second, to increase the effectiveness of the management of human resources and the spread of technology.

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Background: Dynamics of Cross-Strait Relations

by Herawati, Luthfy Ramiz, Mabda Haerunnisa Fajrilla Sidiq, Marina Ika Sari
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The increasingly complex relations between Mainland China and Taiwan (hereinafter Cross-Strait relations) take root from the Chinese Civil War which erupted immediately after the Japanese Empire transferred its authority over Taiwan to the Republic of China. The residues of Japanese colonial history are still evident to this day, notwithstanding the 1992 Consensus between China and Taiwan. The One China Principle has further created more discrepancy in the understanding of which entity could principally represent “China”—an issue that also impacts foreign policy-making in China, Taiwan, and other international actors.

Although the levels may vary, bearing in mind its position on the One China Principle, China has generally been assertive towards democratic Taiwan. In assessing China’s approach towards Taiwan, the island’s domestic politics have played a rather crucial role. For instance, Kuomintang’s Ma Ying-jeou victory in the 2008 and 2012 elections marked Taiwan’s pursuit of a reconciliatory policy towards China,¹ which also led to China’s reduced assertiveness towards Taiwan. However, Ma Ying-jeou’s reconciliatory policy only came after his predecessor, Taiwan’s Democratic Progressive Party’s Chen Shui-bian, took a robust position on defining Taiwan’s identity and policy on the Cross-Strait relations, infuriating China.²

Nevertheless, Taiwan’s domestic policy is not the sole factor considered by China. Other variables work to shape China’s approach to Taiwan, including major powers’ stance towards Taiwan. In this case, the US position on Taiwan is among the key factors taken into account by China. Tucker and Glaser³ put forward that China’s level of assertiveness towards Taiwan is substantially determined by the level of the US support for Taiwan. Furthermore, US support towards Taiwan also depends on two important variables – the balance of power and strategic interdependence between the US

1 Wu, Y.-S., & Chen, K.-W. (2020). Domestic Politics and Cross-Strait Relations: A synthetic perspective. *Journal of Asian and African Studies*, 55(2), 168–186. <https://doi.org/10.1177/0021909620905071>

2 *Ibid.*

3 Tucker, N. B., & Glaser, B. (2011). Should the United States abandon Taiwan? *The Washington Quarterly*, 34(4), 23–37. <https://doi.org/10.1080/0163660x.2011.609128>

and China.⁴

Speaking of economic interdependence, China and the US are Taiwan's largest trading partners, accounting for 25.2% and 12.1% of the USD 823 billion total trade value in 2021, respectively.⁵ As a key global player in producing semiconductors, Taiwan's position has created a triangular trade relationship between China and the US. In 2020, the giant Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corp (UMC) produced more than 60% of the global market share of microchips.⁶ In addition, Taiwan has been leading the global R&D sector in developing the most advanced 5-nanometer chip and the country is gearing up to start production of the next generation of 3-nanometer chips in 2023. Meanwhile, China is the world's biggest producer, consumer, and exporter of electronic devices designed and controlled by US companies, such as Apple iPhone and Hewlett-Packard. Given its position in the global value chain for semiconductors, the world's economy is also highly dependent on Taiwan's stability and development. Thus, if Taiwan becomes involved in any conflict or experiences any disruptions, there will be a

4 Shambaugh, D. (2011). Coping with a conflicted China. *The Washington Quarterly*, 34(1), 7–27. <https://doi.org/10.1080/0163660x.2011.537974>; Kissinger, H. A. (2012). The Future of U.S.-Chinese Relations: Conflict Is a Choice, Not a Necessity. *Foreign Affairs*, 91(2), 44–55. <http://www.jstor.org/stable/23217220>; Brzezinski, Z. (2012). Balancing the East, Upgrading the West: U.S. Grand Strategy in an Age of Upheaval. *Foreign Affairs*, 91(1), 97–104. <http://www.jstor.org/stable/23217152>

5 Bureau of Foreign Trade, Ministry of Finance of the Republic of China, "Trade Statistics: Value of Exports and Imports by Country 2021," Retrieved on October 5, 2022, <https://cuswebo.trade.gov.tw/FSCE040F/FSCE040F>

6 Yen N. Lee, "Two charts show how much the world depends on Taiwan for semiconductors," CNBC, March 15, 2021, <https://www.cnbc.com/2021/03/16/2-charts-show-how-much-the-world-depends-on-taiwan-for-semiconductors.html>

shortage in the global semiconductor supply that is so crucial for both China and the US. As an example, the implementation of restrictive regulations during the pandemic in Taiwan crippled microchip supplies and created a shortage of semiconductors for the electronic and automotive industries in China and the US. The rivalry between China and the US in the Taiwan Strait in recent years has been observed from their various diplomatic, military, and economic actions and reactions, which have heightened tensions in the Strait. US support for Taiwan under the umbrella of the Taiwan Relations Act has encouraged China to be more aggressive in taking decisive actions against Taiwan. For instance, China has increased the number of aerial intrusions into Taiwan's Air Defense Identification Zone (hereafter ADIZ) in the last three years. In 2020, China conducted 380 intrusions into Taiwan's ADIZ.⁷ The following year, Taiwan recorded 969 incursions by Chinese warplanes into its ADIZ – more than double the aircraft that flew in the previous year.⁸ So far this year, Chinese planes have made at least 1,068 individual incursions into the ADIZ.⁹

Regarding the US' recent actions, on August 2nd, 2022, House Speaker Nancy Pelosi made history as the first official representative of her rank to visit Taiwan after almost three decades. From the US' perspective, the visit was a regular demonstration that reaffirmed the

7 France24, "China Makes Second Largest Taiwan Defense Zone Incursion This Year," May 31, 2022, <https://www.france24.com/en/live-news/20220531-china-makes-second-largest-taiwan-defence-zone-incursion-this-year>

8 *Ibid.*

9 The Defense Post, "Taiwan Sees Record 466 Air Incursions by China in August," September 1, 2022, <https://www.thedefensepost.com/2022/09/01/taiwan-record-air-incursions-china/>

US' solidarity and commitment to supporting Taiwan's democracy. However, the visit was deemed a "major political provocation" from China's perspective.¹⁰

Pelosi's stop in Taiwan triggered the action-reaction cycle to move into an increasingly unstable equilibrium.¹¹ The government of China conducted military exercises around Taiwan, fired ballistic missiles, and deployed fighter jets and warships to besiege Taiwan in response.¹² In addition to the military drills, China also imposed economic sanctions on Taiwan's key industries. Sanctions have included a temporary ban on imports of Taiwanese citrus fruit and some types of fish and a ban on exporting natural sand to Taiwan.¹³

The dynamics in the Taiwan Strait due to the heating up of US-China-Taiwan relations could result in spillovers to the Southeast Asia region, both in geopolitics and geoeconomics. From the geopolitical perspective, increased military activities in the strait can influence ASEAN's peace, stability, and security. Apart from the aerial intrusions, the presence of military bases around Southeast Asian maritime areas certainly adds to tensions in the region. The PLA, apart from its naval base in Hainan Island,

10 Haenle, P., & Sher, N. "How Pelosi's Taiwan Visit Has Set a New Status Quo for US-China Tensions," August 17, 2022, <https://carnegieendowment.org/2022/08/17/how-pelosi-s-taiwan-visit-has-set-new-status-quo-for-u-s-china-tensions-pub-87696>

11 *Ibid.*

12 Channel News Asia, "As it Happened: China Fires Missiles in Largest Military Drills around Taiwan After Pelosi's Visit," CNA, August 4, 2022, <https://www.channelnewsasia.com/asia/nancy-pelosi-taiwan-china-us-speaker-military-drills-2857646>

13 Ting, Y. Y., & Chung, J. "Pelosi's Visit: Council Pushes Export Diversification," Taipei Times, August 4, 2022, <https://www.taipetimes.com/News/taiwan/archives/2022/08/04/2003782953>

has been assumed to have built more facilities in three reefs in the South China Sea. As well as being located within the Southeast Asian region, Chinese military bases are also located next to US military bases, such as the territory of Guam.

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Moreover, situated within the Indo-Pacific region are numerous US allies, particularly those who have been vocal, to various degrees, about their support for Taiwan. Japan's support for Taiwan is especially important to consider, when taking into account how Tokyo's support has withstood leadership changes in both countries, China's assertiveness, and deteriorating Cross-Strait relations. Peace and stability in the Taiwan Strait are directly linked to Japan's national security, a concern which has often been raised in discussions between Japan and the US.¹⁴ Another prominent US ally is

14 Adam P. Liff, "Japan, Taiwan and the "One China" Framework after 50 Years," *The China Quarterly*, Vol. 252

Australia; most recently, a bipartisan delegation of Australian parliamentary members visited Taiwan in early December 2022. Having numerous military bases located in Northern Australia, a possible conflict in the Taiwan Strait will certainly cast worrying prospects for Southeast Asian states, understanding that access to the Strait requires countries such as Australia to maneuver through Southeast Asian waters to reach the Taiwan Strait. Apart from Australia and Japan, the potential involvement of other East and Southeast Asian US allies such as South Korea, Thailand, and the Philippines should also be considered.

Furthermore, Pelosi's visit drew worries over geoeconomic risks. One such risk which actually materialized was a disruption to the aviation industry, which felt the impact within weeks after Pelosi's visit. For instance, several commercial flight schedules had to be canceled and alternative routes sought due to military activities carried out by the PLA.¹⁵ In addition, it is important to note that the Taiwan strait is also a hub for one of the busiest shipping lanes in the world, with 88% of the world's largest ships by tonnage passing the strait in 2022.¹⁶ It operates as the main shipping route from China, Japan, and South Korea to the markets in Europe and the US.¹⁷ Moreover, the Taiwan Strait is also the core and secondary maritime shipping route from the US to Southeast Asia and Australia through the Strait of Malacca. As a consequence, any actions affecting the Taiwan Strait will jeopardize and create a domino effect on global shipping, including shipping passing through ASEAN states, whose largest trading partners typically include China and the US.

In response to this, ASEAN launched ASEAN Foreign Ministers' Statement on Cross- Strait Development in August 2022. Despite not mentioning any specific countries in the document, it shows ASEAN's concern that the issue beyond the region that could lead to miscalculation, serious confrontation, open conflicts, and unpredictable consequences. ASEAN also calls for parties to exercise maximum restraint and to refrain from provocative actions. ASEAN is ready to play a constructive role in facilitating peaceful dialogue between all parties by utilizing ASEAN-led mechanisms.¹⁸

Recent studies have attempted to map out key factors which determine the course of Cross-Strait relations, taking either domestic politics or dyadic interactions between Taiwan and China into account. Others consider how external impetuses factor into cross-Strait relations. A domestic focus highlights how electoral politics substantially affect the extent of pragmatism within cross-

(December 2022): 1066-1093, <https://doi.org/10.1017/S0305741022001357>

15 Ratih Kabinawa, "Kunjungan Pelosi ke Taiwan, ketegangan AS-Cina: Bagaimana pengaruhnya terhadap negara ASEAN?" *The Conversation*, August 11, 2022, <https://theconversation.com/kunjungan-pelosi-ke-taiwan- ketegangan-as-cina- bagaimana-pengaruhnya-terhadap-negara-asean-188358>

16 Kevin Varley, "Taiwan tensions raise risks in one of busiest shipping lanes," *Bloomberg*, August 2, 2022, <https://www.bloomberg.com/news/articles/2022-08-02/taiwan-tensions-raise-risks-in-one-of-busiest-shipping- lanes?leadSource=uverify%20 wall>

17 *Ibid.*

18 ASEAN Secretariat, "ASEAN Foreign Ministers' Statement on The Cross Strait Development," August 2, 2022, [https:// asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-tention.pdf](https://asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-tention.pdf)

Strait policies taken by the executive branch,¹⁹ although partisan divides among the population do not necessarily translate into differing preferences toward unification.²⁰ Meanwhile, dyadic analyses of Taiwan-China relations reveal that neither China's preferred policies²¹ nor economic cooperation²² have been successful in motivating populations and leaders from the Taiwanese side to favor unification. Lastly, factors beyond Cross-Strait affairs, such as Taiwan's participation in international institutions²³ and great power rivalry,²⁴ are also considered, wherein Taiwan's maneuvers have largely been characterized as pragmatic, although great power rivalry grants Taiwan ample room to leverage US-China competition.

Notwithstanding the comprehensive views offered by the existing scholarship, there are at least two shortcomings. First, limited considerations have been given to the linkages between Cross-Strait relations and the dynamics of regions directly neighboring the area, particularly Southeast Asia,

19 Dean P. Chen, "The Strategic Implications of Ma Ying-jeou's "One ROC, Two Areas" Policy on Cross-Strait Relations," *American Journal of Chinese Studies*, Vol. 20, No. 1 (April 2013): 23-41, <https://www.jstor.org/stable/44289005>; Yasuhiro Matsuda, "Cross-Strait Relations under the Ma Ying-jeou administration: From Economic to Political Dependence," *Journal of Contemporary East Asia Studies*, Vol. 4, No. 2 (2015): 3-35, <https://doi.org/10.1080/24761028.2015.11869083>; Jean-Pierre Cabestan, "Beijing's Policy towards President Tsai Ying-wen and the Future of Cross-Strait Relations," *Seton Hall Journal of Diplomacy and International Relations*, Vol. 18, No. 1 (Spring 2017): 55-72, <https://www.proquest.com/scholarly-journals/beijing-s-policy-towards-president-tsai-ying-wen/docview/1928302554/se-2?accountid=9630>; John Fuh-sheng Hsieh, "Cross-Strait Relations in the Aftermath of Taiwan's 2016 Elections," *Journal of Chinese Political Science*, Vol. 22 (2017): 1-15, <https://doi.org/10.1007/s11366-016-9454-7>; Yves-Heng Lim, "The Future Instability of Cross-Strait Relations: Prospect Theory and Ma Ying Jeou's Paradoxical Legacy," *Asian Security*, Vol. 14, No. 3 (2018): 318-338, <https://doi.org/10.1080/14799855.2017.1355302>; Gang Lin, *Taiwan's Party Politics and Cross-Strait Relations in Evolution (2008-2018)*, Palgrave Macmillan, 2019; John Fuh-sheng Hsieh, "Continuity and Change in the US-China-Taiwan Relations," *Journal of Asian and African Studies*, Vol. 55, No. 2 (2020): 187-200, <https://doi.org/10.1177/0021909620905051>; Yu-Shan Wu & Kuan-Wu Chen, "Domestic Politics and Cross-Strait Relations: A Synthetic Perspective," *Journal of Asian and African Studies*, Vol. 55, No. 2 (2020): 168-186, <https://doi.org/10.1177/0021909620905071>

20 Peter Hays Gries & Jenny Su, "Taiwanese Views of China and the World: Party Identification, Ethnicity, and Cross-Strait Relations," *Japanese Journal of Political Science*, Vol. 14, No. 1 (2013): 73-96, <https://doi.org/10.1017/S1468109912000357>; Chin-Hao Huang & Patrick James, "Blue, Green or Aquamarine? Taiwan and the Status Quo Preference in Cross-Strait Relations," *The China Quarterly*, Vol. 219 (September 2014): 670-692, <https://doi.org/10.1017/S0305741014000745>; Yitan Li & Enyu Zhang, "Changing Taiwanese Identity and Cross-Strait Relations: a Post 2016 Taiwan Presidential Election Analysis," *Journal of Chinese Political Science*, Vol. 22 (2017): 17-35, <https://doi.org/10.1007/s11366-016-9452-9>; Yi-huah Jiang, "Taiwan's National Identity and Cross-Strait Relations," in Lowell Dittmer (ed.), *Taiwan and China: Fitful Embrace*, University of California Press, 2017, <https://doi.org/10.1515/9780520968707>

21 Hsin-Hsin Pan, Wen-Chin Wu, & Yu-Tzung Chang, "How Chinese Citizens Perceive Cross-Strait Relations: Survey Results from Ten Major Cities in China," *Journal of Contemporary China*, Vol. 26, No. 106 (2017): 616-631, <https://doi.org/10.1080/10670564.2017.1274835>; Benjamin Schreer, "The Double-Edged Sword of Coercion: Cross-Strait Relations After the 2016 Taiwan Elections," *Asian Politics & Policy*, Vol. 9, Issue 1 (2017): 50-65, <https://doi.org/10.1111/aspp.12290>; Wei-chin Lee, "Multiple Shades of China's Taiwan Policy after the 19th Party Congress," *Journal of Asian and African Studies*, Vol. 55, No. 2 (2020): 201-220, <https://doi.org/10.1177/0021909620905063>

22 Yi-Wen Yu, Ko-Chia Yu & Tse-Chun Lin, "Political Economy of Cross-Strait Relations: is Beijing's patronage policy on Taiwanese business sustainable?" *Journal of Contemporary China*, Vol. 25, No. 99 (2016): 372-388, <https://doi.org/10.1080/10670564.2015.1104871>; Lu Chung Dennis Weng, "Can economic profit influence public opinion? Observing generational change on cross-strait relations in Taiwan," *Asian Journal of Comparative Politics*, Vol. 2, No. 4 (2017): 362-384, <https://doi.org/10.1177/2057891116687878>

23 Tung-chieh Tsai & Tony Tai-ting Liu, "Cross-Strait Relations and Regional Integration: A Review of the Ma Ying-jeou Era (2008-2016)," *Journal of Current Chinese Affairs*, Vol. 46, No. 1 (2017): 11-35, <https://doi.org/10.1177/186810261704600102>; Björn Alexander Lindemann, *Cross-Strait Relations and International Organizations: Taiwan's Participation in IGOs in the Context of Its Relationship with China*, Springer VS, 2014.

24 Richard Weixing Hu, "Taiwan Strait détente and the changing role of the United States in cross-Strait relations," *China Information*, Vol. 27, No. 1 (2012): 31-50, <https://doi.org/10.1177/0920203X12468256>

which have been increasingly vocal about their wariness of potential spillovers from tensions around Taiwan. Moreover, major upheavals in Cross-Strait relations might bring about considerable disruption to regional stability and economies in Southeast Asia, considering the interlinkages between both regions across different sectors. Second, discussions on electoral politics have yet to critically account for recent developments in Taiwanese electoral politics, particularly post-Ma's presidency. Lastly, the involvement of external powers, particularly the US, has been missing from recent discussions, notwithstanding that scholars have acknowledged the importance of the Taiwan issue in political discussions in the US. Therefore, this report will contribute to the literature by bringing together three scholars from Indonesia and Taiwan to assess regional and global responses towards, as well as the potential impacts of, triangular relations between the US, China, and Taiwan on Cross-Strait and potential spillovers to Southeast Asia.

Finally, each scholar offers some recommendations for relevant stakeholders in ASEAN and Taiwan. Raditio recommends that in addition to B-to-B cooperation, ASEAN and Taiwan must expand their P-to-P contacts in education, culture, and tourism. For Taiwan, its ASEAN engagement will reduce its dependence on mainland China; while for ASEAN states, apart from economic benefits, they may play a more significant role in maintaining regional stability. Pattiradjawane sees the importance for Indonesia and ASEAN to revisit and reformulate the One China policy and principles to accommodate interdependence between Indonesia, ASEAN, Taiwan, and China, as the need for cooperation could intensify in the future. Hsu's findings suggest that paying specific attention to Southeast Asia would be needed if Taiwan wishes to engage with its immediate neighbors in mitigating risks of fluctuations in Cross-Strait relations.

After Pelosi's Taiwan Visit: Deciphering ASEAN's Response and How the Association Can Advance its Contribution

by Dr Klaus Heinrich Raditio
Independent Researcher

ASEAN's Response: Capturing the Nuances

The ASEAN Foreign Ministers Joint Statement

On August 2nd, 2022 Nancy Pelosi, the Speaker of the US House of Representatives visited Taiwan, triggering strong protests from Beijing and causing concern in the region about the impacts of the visit, and the Chinese military response, for regional peace and stability. ASEAN as a regional body released a joint statement in response to Pelosi's visit.¹ Concurrently, ASEAN individual states also issued statements with different nuances reflecting each government's position and relations with the rivaling great powers.

In the four-paragraph statement, ASEAN Foreign Ministers acknowledge that "the recent development" potentially destabilizes the region and may lead to "miscalculation, serious confrontation, open conflicts and unpredictable consequences among major powers." It is interesting to note that the ASEAN Foreign Ministers use the word "miscalculation" among major powers which is reminiscent of Robert Jervis's theory on War and Misperception. In his writing, Jervis uses the term misperception broadly, including "miscalculation of consequences".² To those who are familiar with Jervis' works, miscalculation is a contributing factor for most wars, particularly when a leader simultaneously downplays a rival's power and overstates its enmity.³ The Statement demonstrates ASEAN's concern about devastating outcomes that could take place in the aftermath of Pelosi's Taiwan visit.

1 ASEAN Foreign Ministers Statement on the Cross Strait Development issued on 3 August 2022 can be seen on the ASEAN website: <https://asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-tention.pdf>

2 Jervis, Robert. "War and misperception." *The Journal of Interdisciplinary History* 18, no. 4 (1988): 675-700.

3 *Ibid.*

ASEAN Foreign Ministers also play the role of norm-setting by reminding the rivaling major powers of the Treaty of Amity and Cooperation in Southeast Asia (TAC) which mandates all parties to refrain from the use of coercive power and prioritize diplomatic solutions to overcome discord. China was the first non-ASEAN state to accede to the TAC in 2003; the US signed it in 2009.

In addition, the Joint Statement reiterates ASEAN Member States' support for the One-China Policy though it is not clear about the interpretation of the norm itself. The US has explicitly said that it adheres to the One-China policy—however, this does not accord with China's interpretation, as it conducts arms sales to Taiwan and is committed to defending it from the mainland's offenses.⁴ However, the invocation of the One-China Policy in the context of the Cross-Strait tension, most likely refers to Beijing's interpretation, i.e. Taiwan is an inalienable part of China and the People's Republic of China is the sole legitimate government over it.

In the third paragraph, ASEAN Foreign Ministers call on "all leaders" to uphold values such as multilateralism, cooperation, peaceful coexistence for "our shared goals of peace, stability, security and inclusive and sustainable development." Noteworthy, these values are frequently mentioned by Xi Jinping and Chinese top diplomats in various domestic and international fora. In Xi's Address at the 20th Chinese Communist Party Congress (CCP), he mentioned that China has "advocated and

4 Andrew Jeong, "From the one-China policy to the Taiwan Relations Act, here's what to know", *The Washington Post*, 6 August 2022, <https://www.washingtonpost.com/politics/2022/08/06/taiwan-china-policy-assurances-military/>

practiced multilateralism ... in opposition to unilateralism, protectionism and bullying of any kind".⁵ Xi also proposed four guidelines that underpin the China-European Union relationship: peaceful coexistence, openness and cooperation, multilateralism, dialogue and consultation.⁶ Multilateralism is a practice of modern international relations, yet China's motive in promoting multilateralism is to challenge the US global domination.⁷

Peaceful coexistence is also one of Chinese diplomacy's main themes. At the Third Edition of the Paris Peace Forum on 12 November 2020, Xi explained that peaceful coexistence means respecting other countries' rights to development and their preferred development paths and models.⁸ This principle also applies to the political system, in which China insists that democracy should not be considered as the only political system to ensure development – an idea that is well-received by undemocratic regimes such as Myanmar, Laos, and Cambodia. Furthermore, the statement also calls for inclusive and sustainable development, or in other words, prosperity and advanced technology should not be limited to established democratic powers.

5 *Hold High the Great Banner of Socialism with Chinese Characteristics and Strive in Unity to Build a Modern Socialist Country in All Respects*, Report to the 20th National Congress of the Communist Party of China, 16 October 2022.

6 "Xi Jinping: China, EU should be committed to multilateralism, dialogue", *CGTN*, 15 September 2020, <https://news.cgtn.com/news/2020-09-14/Xi-attends-China-Germany-EU-leaders-meeting-via-video-link-TMA0kfp5IK/index.html>

7 Zhou, Jinghao. "The Great Power Competition in the Post-Pandemic Era." In *Great Power Competition as the New Normal of China-US Relations*, pp. 227-260. Palgrave Macmillan, Cham, 2023.

8 "Xi consistently advocates democracy in international relations", *The State Council Information Office*, http://english.scio.gov.cn/m/topnews/2021-12/10/content_77923410.htm

Although the ASEAN Foreign Ministers Statement apparently resonates with Chinese diplomatic themes, it does not necessarily show an inclination towards Beijing on the issue of Pelosi's Taiwan visit. It rather suggests that Beijing understands the interests of developing countries, including ASEAN Member States. This further contributes to the voice of Beijing becoming the norm for small and developing countries, including ASEAN states, in dealing with the major power rivalry in the region.

Moreover, the adoption of Beijing's diplomatic themes also suggests a growing political clout for China among ASEAN countries that might surpass the US'. This is a reminder for the US that ASEAN countries perceive China as a growing power in the region that must be engaged, not contained, to achieve regional stability and prosperity. Instead of seeing the Southeast Asian region as a by-product of its rivalry with China, the US must genuinely engage with ASEAN countries in maintaining peace and stability and engage more profoundly in investment, trade, technology, and infrastructure.⁹

The Voice of Individual ASEAN Member States

As a regional body, ASEAN is not always successful in maintaining its cohesion. Countries like Myanmar, Laos, and Cambodia are known for their close ties to China—while the Philippines and Vietnam are suspicious of Beijing due to its assertive behavior, particularly in the South China Sea. Moreover, though none of the ASEAN Member States

9 Thi Mai Anh Nguyen, "Pelosi's Visit to Taiwan Creates a Headache for ASEAN Countries", *The Diplomat*, 5 August 2022, <https://thediplomat.com/2022/08/pelosis-visit-to-taiwan-creates-a-headache-for-asean-countries/>

have diplomatic relations with Taiwan, the region has an Economic and Trade Office in Jakarta, a representative office in Singapore as well as Economic and Cultural Offices in Manila, Bandar Seri Begawan, Kuala Lumpur, Hanoi, and Yangon. Only Cambodia and Laos do not host similar Taiwanese representative offices in their territories.

From their respective statements, the ASEAN member states demonstrate how their positions deliver nuances that differ from ASEAN Foreign Ministers' Statement on the Cross- Strait Development. The Statement accommodates the collective concerns of ASEAN member states and attempts to be impartial in nature. At the heart of the Taiwan issue is US-China strategic rivalry and China's sovereignty and territorial integrity.¹⁰ Those who put emphasis on the former seek regional peace and stability and align with the ASEAN Foreign Ministers Statement. These countries are Indonesia, Singapore, Malaysia, Thailand, Brunei, and the Philippines. While those who put emphasis on the latter tend to sympathize with Beijing and even blame the US for inciting provocation. One party who slightly inclines toward Beijing is Vietnam. While those who heavily incline toward Beijing are Cambodia, Laos, and Myanmar. The table below summarizes the assessment of the statement of individual ASEAN states concerning Pelosi's Taiwan visit.

10 Li Jianwei and Ramses Amer, "ASEAN Members Speak Up on Taiwan", *China US Focus*, 7 September 2022, <https://www.chinausfocus.com/peace-security/asean-members-speak-up-on-taiwan>

Country	Statement	Assessment
Indonesia ¹¹	<p>“1. Indonesia is deeply concerned with the increasing rivalry among major powers.</p> <p>2. If not managed well, it may lead to open conflict and disrupt peace and stability, including in the Taiwan Strait.</p> <p>3. Indonesia calls on all parties to refrain from provocative actions that may worsen the situation.</p> <p>4. The world is in dire need of wisdom and responsibilities of all leaders to ensure peace and stability are maintained. Indonesia continues to respect the “One-China Policy”.</p>	<p>Emphasis: Major power rivalry</p> <p>Inclination: Impartial</p>
Singapore ¹²	<p>“Singapore has a clear and consistent “One-China” policy and is opposed to Taiwan independence and any unilateral moves to change the status quo. Minister Balakrishnan emphasised the need to avoid miscalculation and accidents, which could lead to an escalatory spiral and destabilise the region. Minister Balakrishnan hoped that the US and China will work out a <i>modus vivendi</i> and stressed the need for stable US-China relations, which are vital for peace and security.”</p>	<p>Emphasis: Opposition to changing the status quo</p> <p>Inclination: Impartial</p>
Malaysia ¹³	<p>As stated by Foreign Minister Dato Seri Saifuddin Abdullah: “Malaysia is monitoring closely the developments in Taiwan Strait after tensions erupted between China and the United States (US) following US House Speaker Nancy Pelosi’s visit to Taiwan. Malaysia also urged all concerned parties to address the situation very carefully and in the best manner possible.”</p> <p>“Malaysia holds on to the One-China policy and wanted to see peace and stability of the region maintained. Malaysia put a lot of value to both the US and China when it comes to trade and technology in the region. So we want to be friends with both China and the US.”</p>	<p>Emphasis: Good relations with major powers</p> <p>Inclination: Impartial</p>

11 [Statement by Spoke Person of the Foreign Ministry, Ministry of Foreign Affairs of Indonesia](https://kemlu.go.id/portal/en/read/3873/siaran_pers/statement-by-spoke-person-of-the-foreign-ministry), 3 August 2022, https://kemlu.go.id/portal/en/read/3873/siaran_pers/statement-by-spoke-person-of-the-foreign-ministry

12 “Meeting [between Minister for Foreign Affairs and PRC State Councilor on the Sidelines](https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2022/08/20220804-Meeting-with-China-FM) of the 55th ASEAN Foreign Ministers’ Meeting, Phnom Penh, 4 August 2022, <https://www.mfa.gov.sg/Newsroom/Press-Statements-Transcripts-and-Photos/2022/08/20220804-Meeting-with-China-FM>

13 “At Asean meet, [Malaysia urges all concerned parties to address tension in Taiwan Strait very carefully](https://www.malaymail.com/news/malaysia/2022/08/03/at-asean-meet-malaysia-urges-all-concerned-parties-to-address-tension-in-taiwan-strait-very-carefully/20885)”, *MalayMail*, 3 August 2022, <https://www.malaymail.com/news/malaysia/2022/08/03/at-asean-meet-malaysia-urges-all-concerned-parties-to-address-tension-in-taiwan-strait-very-carefully/20885>

Thailand ¹⁴	<p>“Thailand stands by the ‘One-China’ policy. We do not wish to see any actions that would aggravate tensions and undermine peace and stability in the region. We hope that all parties concerned exercise utmost restraint, abide by international law and principles of respect for sovereignty and territorial integrity, and resolve their differences through peaceful means.”</p>	<p>Emphasis: Tension de-escalation</p> <p>Inclination: Impartial</p>
The Philippines ¹⁵	<p>As stated by Department of Foreign Affairs spokesperson Teresita Daza: “The Philippines is closely monitoring developments in this regard. It is important for the US and China to ensure continuing communication to avoid miscalculation and further escalation of tensions. We trust that China and the United States will be responsible actors in the region.”</p> <p>“The Philippines continues to adhere to the One- China policy. It, however, has strong commercial and cultural ties with Taiwan. The Philippines has a Manila Economic and Cultural Office in Taipei just as Taiwan has its TECO in Manila.”</p>	<p>Emphasis: Tension de-escalation</p> <p>Inclination: Impartial</p>
Brunei ¹⁶	<p>“Brunei Darussalam is following with concern the situation in the Taiwan Strait. We reaffirm the ASEAN Foreign Ministers’ Statement on the Cross-Strait Development of 4th August 2022 and reiterate the importance of upholding multilateralism in maintaining peace and stability in the region and beyond.</p> <p>We encourage all parties concerned to exercise restraint and de-escalate tensions, act in accordance with the UN Charter and international law, and uphold the principles of respect for sovereignty, territorial integrity and non-interference.</p> <p>Brunei Darussalam continues to reaffirm its commitment to the One-China policy.”</p>	<p>Emphasis: Tension de-escalation</p> <p>Inclination: Impartial</p>

14 “Thailand calls for restraint amid tensions in Taiwan Strait”, *The Nation*, 3 August 2022, <https://www.nationthailand.com/in-focus/40018485>

15 “No US gov’t request for Pelosi to transit via PH”, *Philippine News Agency*, 2 August 2022, <https://www.pna.gov.ph/articles/1180469>

16 “Statement on the Recent Development in the Taiwan Strait”, *Ministry of Foreign Affairs of Brunei Darussalam*, 6 Au-

Vietnam ¹⁷	As stated by the Spokeswoman of the Ministry of Foreign Affairs Le Thi Thu Hang: “Vietnam continues to follow a “One-China policy” and calls on all parties to not escalate tension in the Taiwan Strait. Vietnam wishes for all relevant parties to restrain themselves, not escalate tension in the Taiwan Strait, positively contribute to the maintenance of peace and stability, and strengthen cooperation and development in the region and the world. Vietnam resolutely follows the “One-China policy,” which recognizes Hong Kong, Macau and Taiwan as part of China.”	Emphasis: Tension de-escalation, extended “One- China Policy” Inclination: Slightly in favor of China
Cambodia ¹⁸	Cambodian Deputy Prime Minister and Foreign Minister Prak Sokhonn said that recent US provocations violated China’s sovereignty, broke its own promises and aggravated Cross-Straits tensions, fully exposing the hypocrisy and hegemonic behaviour of the US side. He said that Cambodia firmly adheres to the One- China Policy, Taiwan is an inalienable part of China, and his country supports China in safeguarding its legitimate rights and resolutely responding to the US Provocations.	Emphasis: Sovereignty violation Inclination: Heavily in favor of China

gust 2022, <https://www.mfa.gov.bn/Lists/Press%20Room/news.aspx?id=991&source=https://www.mfa.gov.bn/site/home.aspx>

17 “Vietnam calls for restraint amid US leader’s Taiwan visit”, *VNExpress*, 2 August 2022, <https://e.vnexpress.net/news/news/vietnam-calls-for-restraint-at-taiwan-strait-amid-pelosi-s-visit-4495368.html>

18 “Envoys, use ASEAN meet in Cambodia as a platform slam Pelosi’s Taiwan visit”, *Khmer Times*, 7 August 2022, <https://www.khmertimeskh.com/501127208/envoys-use-asean-meet-in-cambodia-as-a-platform-slam-pelosis-taiwan-visit/>

Laos ¹⁹	<p>“The Lao PDR has been following and is concerned over the development in the Taiwan Strait, including a provocative action, which may lead to a tension in the region.</p> <p>The Lao PDR, as always, is of the view that peace and stability in all regions in the world, including the Asia-Pacific region is a decisive prerequisite and fundamental foundation for cooperation and development of countries in the region and the world.</p> <p>The Lao PDR reaffirms its consistent policy of supporting “One-China Policy” and that Taiwan is an inalienable part of China, and opposes any intention aiming at creating a situation for “two China” or “one China, one Taiwan”. The Lao PDR reiterates its support for the policy of the Government of the People’s Republic of China on the national reunification by peaceful means.</p>	<p>Emphasis: “One-China Policy”, reunification.</p> <p>Inclination: Heavily in favor of China</p>
Myanmar ²⁰	<p>“Myanmar is concerned by the visit of Ms. Nancy Pelosi, Speaker of the House of Representatives of the United States of America to Taiwan (Chinese-Taipei) which is causing escalation of tensions on the Taiwan Straits. Myanmar opposes any provocative actions causing instabilities in the region and attempts that aim to interfere in the internal affairs of other states.</p> <p>Therefore, Myanmar calls all concerned parties to deescalate the tensions through constructive dialogue and peaceful negotiation for peace and stability across the Taiwan Straits.</p> <p>Myanmar fully supports the “One-China Policy” and reaffirms that Taiwan is an integral part of the People’s Republic of China.”</p>	<p>Emphasis: Opposition to US provocative action</p> <p>Inclination: Heavily in favor of China</p>

19 “Statement of the Spokesperson of the Ministry of Foreign Affairs of the Lao PDR, *Ministry of Foreign Affairs of Lao PDR*, 3 August 2022, <http://www.mofa.gov.la/index.php/statements/mofa-statement/4883-statement-of-the-spokesperson-of-the-ministry-of-foreign-affairs-of-the-lao-pdr-over-the-development-in-the-taiwan-strait>

20 “Myanmar junta raps ‘provocative’ Pelosi visit to Taiwan”, *Mizzima*, 4 August 2022, <https://mizzima.com/article/myanmar-junta-raps-provocative-pelosi-visit-taiwan>

Suffice it to say that ASEAN as one body and ASEAN Member States as individuals do not approve of Pelosi's Taiwan visit. This nuance can be understood from the ASEAN Foreign Ministers Statement that reflects Beijing's diplomatic themes. Though this does not necessarily mean that ASEAN as one body inclines towards Beijing in the major power rivalry, it shows that Beijing in its diplomacy has captured the needs and aspirations of ASEAN states in international politics, such as multilateralism, peaceful coexistence, and inclusive development. It demonstrates that Beijing has significantly expanded its clout in the region, which renders ASEAN more receptive to Beijing's norms rather than adopting Western countries' ideas of freedom (of navigation), democracy, and human rights.

Regarding the statements by ASEAN individual states, the nuances are varied from impartial to heavily in favor of Beijing. No single ASEAN state approves the visit. Some even place emphasis on territorial integrity, which provides a defence for Beijing's position regarding the Taiwan issue. In conclusion, ASEAN states do not perceive Pelosi's Taiwan visit as constructive to the region. The US must consider that such a move in the future will only tarnish its image before Southeast Asian countries.

ASEAN's Position in the Major Power Rivalry

ASEAN is not a powerful regional body to enforce a norm it has formulated. At most, ASEAN urges relevant parties to conform to particular norms and principles such as TAC, Declaration of Conduct in the South China Sea (DoC), and its Code of Conduct (on progress). ASEAN may also utilize diplomatic channels

to voice concern over certain issues though its effectiveness may be limited, as can be seen with the case of its own member, Myanmar, which has made limited progress in the implementation of the Five-Point Consensus.²¹

However, ASEAN's weight may be increased if the rivaling major powers engage with it seriously. The paper shows that from the statement of ASEAN – as a regional body and a group of individual states – China has reaped the benefits of decades of serious engagement with ASEAN. In the first quarter of 2022, ASEAN is China's largest trade partner, comprising 14.6 percent of China's total foreign trade, while the US ranked third after the EU.²² On the flip side, China has remained ASEAN's largest trading partner for the last 13 years.²³ Since both sides are each other's top trading partner, it follows that ASEAN will want to maintain good relations with major powers and avoid attempts at containing China.

21 "ASEAN leaders call for timeline on Myanmar peace", *Reuters*, 11 November 2022, <https://www.reuters.com/world/asia-pacific/myanmar-dominate-asean-agenda-little-progress-expected-2022-11-10/>

22 "ASEAN remains China's No.1 trade partner from January to April accounting for 14.6% of total trade", *Global Times*, 9 May 2022, <https://www.globaltimes.cn/page/202205/1265133.shtml?id=11>

23 "China remains ASEAN's largest trading partner", *The State Council of the PRC*, 30 August 2022, https://english.www.gov.cn/statecouncil/ministries/202208/30/content_WS630d613bc6d0a757729df66f.html#:~:text=BEIJING%20%E2%80%94%20China%20has%20remained%20the,seven%20months%20of%20this%20year.

Not only left behind in its ASEAN engagement, the US also does not gain anything favorable diplomatically from Pelosi's Taiwan visit. The trip triggered Beijing's fury, which in turn escalated regional tension. That resulted in worry among ASEAN states and has unintentionally assisted China in boosting its leverage in Southeast Asia.²⁴

The Biden administration does well in consolidating allies and friends for its strategic purposes, yet it seems to apply only to developed countries such as the UK, Japan, and Australia. In fact, the handling of Pelosi's Taiwan visit put aside the cooperation with Southeast Asian countries and ASEAN as if they are mere by-products of China-US strategic rivalry. Having delivered this message to the region in the midst of China's growing political and economic clout – is simply non-strategic.

Conclusion and Recommendation: How to Advance ASEAN's Constructive Role in the Taiwan Issue?

Maintaining ASEAN's Cohesion and Promoting ASEAN-grown values

In its more than five decades of experience, ASEAN speaks best in unity. This fact is evident in the resolution of the Cambodian conflict in the 1980s, the case of the Thai-Cambodian crisis over Preah Vihear Temple in 2011, and the de-escalation of tension in the South China Sea (SCS) in the early 2000s. In the latter case, ASEAN and China had reached a consensus in order to make the 2002 Declaration on the

24 Thi Mai Anh Nguyen, "Pelosi's Visit to Taiwan Creates a Headache for ASEAN Countries", *The Diplomat*, 5 August 2022, <https://thediplomat.com/2022/08/pelosis-visit-to-taiwan-creates-a-headache-for-asean-countries/>

Conduct of parties in the SCS (DoC). Even though the declaration is not legally binding, it has contributed significantly to the de-escalation of tension in the SCS.²⁵

Unfortunately, ASEAN sometimes cannot maintain its cohesion amidst the major power rivalry, as demonstrated in its failure to issue a Joint Communique in 2012. For the first time in its history, ASEAN leaders failed to reach a consensus over the SCS since Cambodia as the host – in an apparent move to accommodate China's "core interest" – blocked any mention of the SCS in the talks.²⁶ In short, the biggest menace to ASEAN cohesion is nothing but major power rivalry as demonstrated in the SCS issue. When ASEAN states are divided over certain issues, the body becomes dysfunctional.

In the Taiwan issue, Foreign Ministers' Statement demonstrates ASEAN's relatively cohesive position. Individual ASEAN states may have different emphases on a certain issue, yet they can put aside their differences and agree on a joint statement, notwithstanding the fact that it seems to warm Beijing's diplomatic themes. In the future, ASEAN may also promote the principles that are formulated in the ASEAN Outlook on the Indo-Pacific, such as openness, transparency, inclusivity (in the sense of engaging all relevant parties and utilizing ASEAN-led mechanisms), and respect for international law.²⁷ Pelosi's Taiwan

25 Raditio, Klaus Heinrich. *Understanding China's Behaviour in the South China Sea*. Springer Singapore, 2019.

26 Jane Perlez, "Asian Leaders at Regional Meeting Fail to Resolve Disputes over South China Sea", *The New York Times*, 12 July 2012, <https://www.nytimes.com/2012/07/13/world/asia/asian-leaders-fail-to-resolve-disputes-on-south-china-sea-during-asean-summit.html>

27 "ASEAN Outlook on the Indo Pacific" can be read on <https://asean.org/asean2020/wp-content/up->

visit was not in accordance with the ASEAN Outlook in the Indo-Pacific, as it was not open and transparent and it did not engage ASEAN in an attempt to maintain regional peace and stability.

Maintaining better relations, especially with the US and Taiwan

Furthermore, ASEAN should enhance its cooperation with the US and Taiwan. In dealing with China's assertiveness in the SCS, ASEAN needs to balance major powers' presence in the region. ASEAN states should not merely express a diplomatically neutral position in the major power rivalry, as in fact, some of them have become economically more dependent on certain patron countries.

Pelosi's Taiwan visit demonstrates that the US has diminished the role of Southeast Asian countries and ASEAN as a regional body.²⁸ This move only leads to growing China's leverage in ASEAN. The US and ASEAN must cooperate to maintain regional peace and stability. The imbalance of power in the region will have detrimental consequences on regional peace and stability. ASEAN must always maintain an impartial stance in major powers' rivalry and stay inclusive towards any constructive involvement by external powers.

ASEAN also needs to advance its engagement with Taiwan. Since its promulgation in 2016, President Tsai Ing-wen's New Southbound Policy (NSP) has effectively diverted one-tenth of its investment from mainland China to ASEAN.²⁹ Of this, Indonesia, Vietnam, Malaysia, and the Philippines were the recipients of 40 percent of Taiwan's investment in ASEAN.³⁰ To have a significant voice in Cross-Strait peace and stability, ASEAN states must support this developing trend. Apart from B-to-B cooperation, ASEAN and Taiwan must expand their P-to-P contacts such as education, culture, and tourism. For Taiwan, its ASEAN engagement will reduce its dependence on mainland China; while for ASEAN states, apart from economic benefits, they may play a more significant role in maintaining regional stability.

[loads/2021/01/ASEAN-Outlook-on-the-Indo-Pacific-FINAL_22062019.pdf](#)

28 "Pelosi's Taiwan Visit Risks Undermining US Efforts with Asian Allies", *The New York Times*, 3 August 2022, <https://www.nytimes.com/2022/08/03/world/asia/taiwan-pelosi-visit-allies.html>

29 Melinda Martinus, "ASEAN and Taiwan: Cooperation Opportunities amid Diplomatic Constraints", *Fulcrum*, 7 September 2022, <https://fulcrum.sg/asean-and-taiwan-cooperation-opportunities-amid-diplomatic-constraints/>

30 *Ibid.*

Indonesia, ASEAN, and the Taiwan Crisis

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Less than a decade ago, the relations between mainland China and Taiwan across the Taiwan Strait flourished under conditions that had no precedent since the government of the Republic of China fled to Taiwan in 1949 at the end of a bloody civil war. Under President Xi Jinping, the Taiwan Strait relationship reached a level of amicability through various political approaches between the Chinese Nationalist Party (Kuomintang) and the rival Chinese Communist Party (CCP).

The amicable meeting between Xi Jinping and President Ma Ying-jeou in Singapore on 7 November 2015 with the historic photo session,¹ gives a strong perception of the end of tensions between the two enemies, leaving a legacy of an old political showdown between the two of Asia's oldest political parties. The Xi-Ma meeting was another monumental development among the two rivalries after the 1992 meeting between the institutions working on relations across the Taiwan Strait, the 海峡交流基金會 (Haixia Jiaoliu Jijin Hui, Straits Exchange Foundation/SEF) and 海峡兩岸關係協會 (Haixia Liang'an Guanxi Xiehui, Association for Relations Across the Taiwan Straits/ARATS).

But then, the rapprochement between Kuomintang and the CCP drastically upended and undermined the agreement reached by the two foundations on the 1992 Consensus to re-establish the starting point of a One-China policy, whatever the interpretations of each side, a deal that had so far been underlying harmonious relations along the Taiwan Strait. This is due to several factors destabilizing China-Taiwan relations, as well as regional and global relations. First, globalization in the second decade of the 21st Century has expanded the role of various actors, the global environmental situation due to the COVID-19 pandemic, and limited proxy wars in different parts of the world.

Second, the geopolitical situation of the Southeast Asian region is seen as an opportunity to expand the influence of the balance of power between major countries in a tug of interest. This presents a new frustration, at least in looking at the aggressiveness of the major powers, the United States and China, especially the strategic distrust inherent in the interplay of major power relations. And third, China's policy formulation was implemented to position the power of the modern empire as an equilibrium force, creating an atmosphere of pandemonium between the lure of infrastructure investment and Pax Sinica's dominance as a choice of regional stability and peace. These factors

1 "China's Xi Jinping and Taiwan's Ma Ying-Jeou Meet in Singapore," *The Wall Street Journal* (Dow Jones & Company, November 8, 2015), <https://www.wsj.com/articles/china-s-xi-jinping-and-taiwan-s-ma-ying-jeou-meet-in-singapore-1446880724>.

dismantled the conducive atmosphere reached by the region for approximately 40 years since the end of the Cold War, threatened with repeating new alliance patterns in economic, political, and security choices.

On the other hand, the US desired to expand its axis policy in the Asia Pacific region, in the final form of the presence of military apparatus physical force, beginning with requests to the Philippines to open access to its military bases for US forces. There are eight locations proposed to rotate US troops, warplanes, and warships. Four locations in Luzon, two on Cebu Island, and two more on Palawan Island, near the Spratly Islands.²

The US reaction was triggered by fundamental changes in China's previous foreign policy when the newly elected PRC President Xi Jinping in 2012 began implementing a more assertive foreign policy to encourage Chinese hegemony and expand its global influence.³ In his speech at the peripheral diplomatic work symposium organized by the Central Committee of the Communist Party of China, Xi accentuated the need to encourage inclusive thinking by emphasizing that Asia-Pacific is large enough for all common developing countries and promoting regional cooperation with a more open mind and a more positive attitude.⁴ The

2 René L. Pattiradjwane "Keamanan ASEAN: Ancaman Baru Perilaku Asertif" (ASEAN Security: New Threats of Assertive Behaviour), *Kompas*, 17 April 2015, p. 8

3 Pei Minxin "China in Xi's 'New Era': A Play for Global Leadership." *Journal of Democracy* 29 (2), 2018: 37–51. <https://doi.org/10.1353/jod.2018.0023>.

4 "习近平在周边外交工作座谈会上发表重要讲话强调：为我国发展争取良好周边环境—新闻报道-人民网. (Xi Jinping delivered an important speech at the Symposium on Peripheral Diplomatic Work, emphasizing: striving for a good surrounding environment for China's development--News Report - People's Daily Online)." 26 October

change in the Southeast Asian region by itself has far-reaching impacts on security and peace stability when China's idea of 新型大国关系 (xinxing daguo guanxi, a new form of big country relations), which certainly will sacrifice many countries in the Asia-Pacific region.

The rise of China in the past several decades, with significant economic and trade development followed by extensive military build-up, worried the US and its allies and regional countries in the Asia-Pacific region. The race toward the sphere of influence started with trade wars between Washington and Beijing during the Trump presidency, initiating the tariffs and quotas on imported solar panels and washing machines.⁵ Under President Biden, the siege effort on China has been extended to economic and trade cooperation and security and military cooperation. On 15 September 2021, three heads of state of the US, the UK, and Australia agreed to see the world through one increasingly complex lens. These three nations agreed to form a new alliance referred

2013, *Cpc.people.com.cn*. Accessed December 12, 2022. <http://cpc.people.com.cn/n/2013/1026/c64094-23333683.html>.

5 "President Trump Approves Relief for U.S. Washing Machine and Solar Cell Manufacturers | United States Trade Representative." 2018. Ustr.gov. 2018. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/january/president-trump-approves-relief-us>. Beside imposing levy to China's made solar panels, heavy import duties also imposed on South Korea wash machines products, see also trade, David J. Lynch "Trump heeds firms' petitions with washing machine, solar panel tariffs," *Washington Post*, 23 January 2018, p. A13. On the other hands, these imposes special tariffs not only to China, but also other countries also surge of new solar enter U.S. market from Malaysia, South Korea, Singapore, Mexico, Thailand, and Vietnam. See, *Washington Post*. n.d. "Analysis | President Trump's Solar and Washer Tariffs May Have Now Opened the Floodgates of Protectionism." Accessed December 12, 2022. <https://www.washingtonpost.com/news/monkey-cage/wp/2017/10/09/donald-trump-now-has-the-excuse-he-needs-to-open-the-floodgates-of-protectionism/>.

to as the AUKUS Trilateral Security Partnership, aiming to deliver security and stability in the Asia-Pacific region and seek to engage, not to exclude; to contribute, not take; and to enable and empower, not to control or coerce.⁶

Without mentioning a specific country, it is clear that AUKUS is pursuing containing and encircling the rise of China as a specific geopolitical measure in international politics. The strategy that these three countries want to impose, with a proposal for Australia to obtain nuclear-powered submarines, is troubling for Indonesia and ASEAN in general, as the decision to form an AUKUS partnership may have endangered the survival of Indonesia and jeopardized the Southeast Asian security dilemma as stipulated in the Zone of Peace, Freedom, and Neutrality (ZOPFAN) declared in Kuala Lumpur on 27 November 1971.

This explains why ASEAN, for the first time, issued an ASEAN Foreign Ministers' Statement on The Cross-Strait Development a day after the visit by the US House of Representatives Chairman, Nancy Pelosi, to Taiwan on August 2, 2022. The irregularity of this kind of high-level visit to Taiwan during the Taiwan Strait crisis was noted by the Indonesian Ministry of Foreign Affairs spokesperson the day after Pelosi's visit.⁷

6 "Remarks by President Biden, Prime Minister Morrison of Australia, and Prime Minister Johnson of the United Kingdom Announcing the Creation of AUKUS." 2021. The White House. September 15, 2021. <https://www.whitehouse.gov/briefing-room/speeches-remarks/2021/09/15/remarks-by-president-biden-prime-minister-morrison-of-australia-and-prime-minister-johnson-of-the-united-kingdom-announcing-the-creation-of-aucus/>.

7 "Pernyataan Oleh Juru Bicara Kementerian Luar Negeri | Portal Kementerian Luar Negeri Republik Indonesia." 2018. Kemlu.go.id. 2018. https://www.kemlu.go.id/portal/id/read/3873/siaran_pers/pernyataan-oleh-juru-bicara-

The US-China rivalries

The issue of China-Taiwan relations has an unresolved historical inheritance due to the complexity of the problems faced not only between the two superpowers, China and the US as political and economic entities but also the effects on the relationships of interdependent networks, related to both domestic norms as well as institutions shaping the state's behavior in using coercion and military force. The US-China trade war began during the time of President Donald Trump; for example, it started with demands to reduce the bilateral trade deficit of \$200 billion, halt subsidies for advanced technology, terminate pressure by US companies to hand over technology, and protection of intellectual property.⁸ Under President Biden, President Trump's policy to impose tariffs and other sanctions continued, exacerbating the trade war between these great nations.

In an article published by *Foreign Affairs*, Biden's promise when he was elected that there is no reason under his presidency the US should lag behind China or any country to lead clean energy innovation, quantum computing, artificial intelligence, 5G, high-speed rail, and so on.⁹ Biden continued Trump's policies with a strategic competition perspective¹⁰ and was domestically backed by bipartisan lawmakers

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8 Wei, Bob Davis and Lingling. "Who Won the U.S.-China Trade War?" *Wall Street Journal*, 20 May 2022, p. C1-C2

9 Joseph R. Biden, Jr. "Why America Must Lead Again." *Foreign Affairs*; New York Vol. 99, Iss. 2, (Mar/Apr 2020): 64-68, 70-76.

10 Vivek Mishra, "From Trump to Biden, Continuity and Change in the US's China Policy," *ORF Issue Brief* No. 577, September 2022, Observer Research Foundation.

welcoming the essential new US foreign policy strategy since the Cold War.¹¹ The unexpected outbreak of the Russia-Ukraine war through a surprise attack on the western region of the Ukrainian border adjacent to Belarus at the end of February 2022 presents an unexpected new geopolitical and geo-economic situation in advance. In addition to the wave of refugees to European countries, this war also spurred severe threats to food and energy security, with impacts reaching the whole world. Five months after Russia's attack on Ukraine, the situation heated up again due to US Speaker of the House Pelosi's visit to Taiwan, triggering China's reaction; conducting military exercises through the deployment of warships and warplanes, and launching missiles around and above Taiwan Island.

Unlike the 1995-1996 Taiwan Strait crisis, the Taiwan Strait crisis this time was not followed by US efforts to send its naval fleet strength. At that time, US President Bill Clinton sent two aircraft carriers with a fleet of accompanying ships, each to the waters of the Taiwan Strait; pilots on these aircraft carriers would have been ready for war. Direct presidential elections in Taiwan caused the crisis for the first time. The US felt Taiwan, with a population of about 23 million, had the right to express its opinion on choosing its leader.

China, which considers Taiwan not a sovereign state entity but a "lost territory", is controlled by the Kuomintang political and military forces who fled after losing the 1949 civil war. Chinese leaders at that time also thought and believed

11 Josh Rogin, "Biden doesn't want to change China. He wants to beat it." *The Washington Post*. 10 February 2022, <https://www.washingtonpost.com/opinions/2022/02/10/biden-china-strategy-competition/>

that the US was jealous of China's rise and support for the implementation of democracy in Taiwan was a ruse.¹²

This pattern of thought developed by China shows the national cohesion of the world's most populous country for the first time; confident and with a powerful sense of nationality. Indeed, since Deng Xiaoping's modernization and openness, China's exports to the US, recorded at around US\$ 300 million in 1978, have increased drastically. In 1992, China's US product and service market increased to US\$ 26 billion, and the proportion of US consumer sales rose to 30 percent.¹³

During the 1995-1996 Taiwan Strait Crisis, China had been preparing to fill the ideological vacuum due to the transformation of China's economic reforms. Leaders in Beijing called it a 'spiritual civilization' based on a neo-conservative agenda with solid elements of nationalism. This topic itself is based on a best-selling book in China entitled 中国可以说——冷战后时代的政治与情感抉择 (*Zhongguo Keyi Shuo Bu: Lengzhan Hou Shidai de Zhengzhi yu Qinggan Jueze, China Can Say No: Political and Emotional Choices in the Post-Cold War Era*).¹⁴ 'Spiritual civilization' is a new terminology used by neo-conservative groups preparing to enter an era after Deng Xiaoping, the principal architect of PRC economic reform with a growth of about 9 percent annually starting

12 John Franklin Copper, *Playing with Fire: The Looming War with China over Taiwan*, (Westport: Praeger Security International, 2006).

13 *Ibid.*

14 宋强等 (Qiang Song et al). 《中国可以说——冷战后时代的政治与情感抉择》 (*China Can Say No: Political and Emotional Choices in the Post-Cold War Era*). 北京: 中华工商联合出版社, 1996年8月第2次印刷 (Beijing: China Industry and Commerce United Publishing House, 2nd printing, August 1996)

from 1978. China's economic reforms are also referred to as Dengism to distinguish it from the times of Maoism which brought misery to mainland China.

The book *China Can Say No* was written by an ultra-nationalist lecturer and three lesser-known journalists. This bestseller is the first and most crucial anti-foreign book in decades. The topics covered in this book include 'Burn Out of Hollywood,' 'Blue Sky Must Die, Yellow Sky Will Be in Power,' 'Don't Be Afraid to Announce Getting Ready for War,' and others.¹⁵ This book discusses military mobilization as a way to maintain national cohesion. Strangers (read, Americans), according to the authors of this book, are a group of narcotics addicts with sexual perversion against the background of criminal crimes and broken families.¹⁶ Evil Washington, the book continues, has endangered the motherland, so China must withdraw its trade with them.

Although this book is only a collection of non-academic writings and popular ideas that evoke a sense of nationalism, it remains influential in Chinese foreign policy thinking at the grassroots and official levels.¹⁷ China's reaction to Pelosi's visit reflects the growing Sino-US strategic rivalry to levels never seen before, as new ways are taken, swinging between containment and engagement to manage China's rise as a heated debate after the end of the Cold War.¹⁸

15 *Ibid.*

16 *Ibid.* p.292-296

17 Shannon Tiezzi, "The 'China Can Say No' Effect," *thediplomat.com*, 7 August 2014, <https://thediplomat.com/2014/08/the-china-can-say-no-effect/>.

18 Cheong Ching, *Will Taiwan Break Away? : The Rise of Taiwanese Nationalism* (Singapore ; River Edge, N.J.: World Scientific, 2001).

The China-US confrontation has been marked by mutual bluster and deterrence for a long time. Each party considers the other an aggressor, potentially and directly, and is also in a defensive position.¹⁹ In the case of Pelosi's visit, this condition is evident that China is in the role of aggressor and, at the same time, persists to declare its sovereignty over Taiwan. However, both parties do not realize there can be a misunderstanding of each other's motives. Many events await in the coming years; it cannot be known how things will happen and the implications of future actions. At this time, China and the US were preparing amphibious operations for China to fight Taiwan,²⁰ and the US sent its trainers and military advisers to Taiwan.²¹

Perception in China

If we look at the reaction of ASEAN member countries after Pelosi's visit, at first glance, there is a cohesive unity²² of views by the members on this fourth Taiwan Strait crisis.²³

19 Shu Guang Zhang, *Deterrence and Strategic Culture : Chinese-American Confrontations, 1949-1958* (Ithaca: Cornell University Press, 1992).

20 Ian Easton, *The Chinese Invasion Threat : Taiwan's Defense and American Strategy in Asia* (Manchester: Eastbridge Books, 2019). p. 338-370

21 Reuters, "Taiwan President Confirms U.S. Troops Training Soldiers on Island - CNN," *Reuters*, October 28, 2021, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/taiwan-president-confirms-us-troops-training-soldiers-island-cnn-2021-10-28/>.

22 See the Dr Klaus Heinrich Raditio writing in the previous chapter

23 The First Taiwan Strait Crisis 1954-1955 has the greatest potential to escalate. This involved intense shooting offshore islands, crunching nuclear sabre rattling by the United States, and successful amphibious operations by the People's Liberation Army that led to the seizure of several small islands. The Second Taiwan Strait Crisis, in 1958, involved Mao Zedong's in the Taiwan Strait contributing to the Sino-Soviet rift. The Third Taiwan Strait crisis erupted due to Chinese anger over Taiwanese President Lee Teng-hui's visit

Although many member countries do not have diplomatic relations with Taiwan in the ASEAN environment, almost all ASEAN countries have representative offices in Taiwan.²⁴ The exceptions are Cambodia and Laos, which are both represented by the Taipei Economic and Cultural Office in Vietnam. Consistent with their interpretations of the One-China policy, these two countries refuse to have cooperative relations with Taiwan.²⁵

The joint statement of ASEAN foreign ministers after Pelosi's visit did not explicitly mention the feuding countries of China, the US, and Taiwan. This four-paragraph statement is very normative, expressing concern about armed conflict between major powers. This statement also directly expresses concerns about military conflict over Taiwan, fighting ASEAN's fears in the backyard of the Southeast Asian region.²⁶

to the United States in 1995. The fourth Taiwan Strait Crisis in August 2022 comes after a visit by U.S. House Speaker Nancy Pelosi, who prompted China to conduct massive military exercises around Taiwan Island. See also, Christopher Twomey, "The Fourth Taiwan Strait Crisis Is Just Starting," *War on the Rocks*, August 22, 2022, <https://warontherocks.com/2022/08/the-fourth-taiwan-strait-crisis-is-just-starting/>.

24 Representative offices of ASEAN countries in Taipei, Taiwan: Indonesia Economic and Trade Office to Taipei, Singapore Trade Office in Taipei, Malaysian Friendship and Trade Centre, Thailand Trade and Economic Office, Brunei Darussalam Trade and Tourism Office, Vietnam Economic and Cultural Office in Taipei, Myanmar Trade Office. Cambodia and Laos is represented does not have a representative office in Taiwan.

25 See Chinda Boutdavong, "Laos Supports 'One-China Policy' amid US Politician's Visit to Taiwan," *Laotian Times*, August 3, 2022, <https://laotiantimes.com/2022/08/03/the-ministry-of-foreign-affairs-supports-one-china-policy-amid-us-politicians-visit-to-taiwan/>; Taiwan News, "Cambodia Continues to Deny Taiwan's Request to Establish Representative Office," *Taiwan News*, November 19, 2019, <https://www.taiwannews.com.tw/en/news/3820080>;

26 See "ASEAN Foreign Ministers' Statement on the Cross Strait Development," 2022, <https://asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-tention.pdf>.

China has an interest in making ASEAN a friendly backyard. But on the other hand, ASEAN does not have a comprehensive strategy for dealing with China, which is inclined to balkanize the Southeast Asia region.²⁷ For example, President Biden's confrontational policy shift was signaled by its commitment to long-term strategic competition with China and accused China of seeking hegemony in Asia-Pacific. Security strategists have all accused China of seeking hegemony in the Indo-Pacific, and the US defense strategy has made these hegemony efforts a strategic contender for decades.²⁸

The complexity of ASEAN-China and US relations and their respective bilateral ties strengthen the belief that there will be significant changes in the Southeast Asian region within the next five years, especially related to regional and global import issues.²⁹ The perception of elites in the ASEAN environment is of concern, measured through a survey by the ISEAS- Yusof Ishak Singapore Institute, which published an annual survey of Southeast Asian Countries involving 1,677 respondents from policy-making environments, journalists, business people, and experts of 10 ASEAN countries.

According to this survey, although solicitude against China is increasingly related to economic, political, and strategic forces, the

27 Henrick Tsjeng, "China's Vision for Southeast Asia: The Struggle to Create a 'Friendly Backyard,'" 2021, <https://www.rsis.edu.sg/wp-content/uploads/2021/11/IP21013-Tsjeng-masthead-final-1.pdf>.

28 Richard Heydarian, "Warm and welcome." *South China Morning Post*. 22 November 2022, p. A11

29 Sebastian Strangio, "Southeast Asian Elite Survey Paints Complex Picture of China Ties," *thediplomat.com*, February 17, 2022, <https://thediplomat.com/2022/02/southeast-asian-elite-survey-paints-complex-picture-of-china-ties/>.

ASEAN elite agrees that China is the most influential regional and global power in the ASEAN environment related to these three issues. According to this survey, China's economic strength increased by 76.7 percent compared to 2021 by 75.9 percent, which is very influential in Southeast Asia.³⁰ The same can also be seen in the measurement of political and strategic strength with the question of which regional country has the most significant political and strategic influence in Southeast Asia, showing an increase in China's perception of 54.4 percent compared to 2021, which is only 49.8 percent.³¹

On the other hand, respondents across Southeast Asia thought the US had a significant position to deal with China, particularly concerning free trade and enforcing a rules-based regional order. When asked who is most trusted to take the lead in maintaining a rules-based order and upholding international law, the US topped the perception of support from ASEAN elites at 36.6 percent (an increase from the previous year of 24.5 percent). The perceptions toward the European Union decreased, which recorded 16.6 percent compared to 2021, which was 32.6 percent superior. China's position in the same question recorded a sharp increase of 13.6 percent from the previous year's position of 4.4 percent.³² Compared to the same survey conducted in 2019 when President Trump was in office, with pessimistic sentiment toward US engagement in Southeast Asia, 13.2 percent of respondents from 1,008 people thought it had increased

30 Sharon Seah et al., *The State of Southeast Asia: 2022 Survey Report* (Singapore: ASEAN Studies Centre at IS-EAS- Yusof Ishak Institute, 2022), p. 21

31 Ibid, p. 23

32 Ibid, p. 26-27

(11.4 percent) or increased substantially by 1.9 percent.³³

As a de facto leader of ASEAN, Indonesia is often ambiguous about dealing with China, meanwhile, China is continuously increasing its influence in the Southeast Asian region. As President Joko Widodo (Jokowi) is nearing the end of his term in 2024, Indonesian foreign policy shifted from infantilism³⁴ to autistic foreign policy.³⁵ We observed President Jokowi traveling to many countries for bilateral and multilateral talks to fulfill his duties as head of state of the world's largest Muslim-majority country. He has met with Chinese President Xi Jinping on more than seven occasions during his presidency, giving the perception that Indonesia is leaning towards China as a source of investment for its flagship infrastructure projects.

Indonesia needs to show a greater appetite for the issues of multilateralism, both global and regional. On many occasions and in various multilateral forums, for example, President Jokowi frequently abstained from the UN General Assembly since he took office and abstained at the APEC Summit in Manila in November 2015. President Jokowi's lack of attention to international issues, especially in various multilateral forums, is seen in the state speech he delivered in front of the annual session of the People's Consultative Assembly (MPR) and the joint session of the Regional

33 Tang Siew Mun et al., *The State of Southeast Asia: 2019 Survey Report* (Singapore: ASEAN Studies Centre at IS-EAS- Yusof Ishak Institute, 2019), p. 16

34 René L Pattiradjawane, "Infantilism of Indonesian Foreign Policy," *The Jakarta Post*, 21 October 2017, p. 7

35 René L Pattiradjawane, "Indonesia's 'autistic diplomacy': Does it matter?," *The Jakarta Post*, 5 October 2021, p.6

Representative Council (DPD) and the House of Representatives (DPR). From 2017 to 2022, for example, the word “international” was mentioned at most seven times last year and five times in 2017.³⁶

Although Indonesia’s economic and trade developments during the Covid-19 pandemic era showed a significant increase, it turned out that President Jokowi was unable to use it to influence the course of diplomacy and Indonesian military power at the regional and global levels. International relations experts often see the weakness of embodying foreign policy in a concrete form; the strength that is owned and considered an integral part of Indonesian diplomacy is the strength of its Indonesian “power of ideas.” For example, the idea of establishing an East Asia Summit through the ASEAN+6 mechanism (ASEAN and six other countries, Australia, China, India, Japan, New Zealand, the Republic of Korea, The United States, and the Russian Federation) is Indonesia’s inclination to balance China’s desire to minimize the forum as ASEAN+3 (ASEAN with dialogue partners China, South Korea, and Japan).³⁷

36 See, “Transkrip Pidato Kenegaraan Presiden Republik Indonesia Dalam Rangka Hari Ulang Tahun Ke-72 Kemerdekaan Republik Indonesia Tahun 2017 Pada Sidang Bersama DPR-RI Dan DPD-RI, 16 Agustus 2017 Di Gedung DPR/MPR, Jakarta,” Sekretariat Kabinet Republik Indonesia, 16 August 2017, <https://setkab.go.id/transkrip-pidato-kenegaraan-presiden-republik-indonesia-dalam-rangka-hari-ulang-tahun-ke-72-kemerdekaan-republik-indonesia-tahun-2017-pada-sidang-bersama-dpr-ri-dan-dpd-ri-16-agustus-2017-di-gedung-dp/>; and “Naskah Lengkap Pidato Kenegaraan Presiden Joko Widodo Tahun 2022 - JEO Kompas.com,” jeo.kompas.com, August 16, 2022, <https://jeo.kompas.com/naskah-lengkap-pidato-kenegaraan-presiden-joko-widodo-tahun-2022>.

37 Dave McRae, “More Talk than Walk: Indonesia as a Foreign Policy Actor,” www.lowyinstitute.org, February 26, 2014, <https://www.lowyinstitute.org/publications/more-talk-walk-indonesia-foreign-policy-actor>.

On the other hand, President Jokowi himself did not show any anxiety about the Taiwan Strait crisis due to the visit of US House Speaker Nancy Pelosi, which resulted from the Chinese military conducting massive military exercises in the sea surrounding Taiwan Island. Surprisingly, President Jokowi made “international trust” a strength to build Indonesia. One example he quoted mentioned his trip to Ukraine and Russia as a bridge of peace to meet with Ukrainian President Volodymyr Zelenskyy and President Vladimir Putin.³⁸ In a press release from the State Secretariat, mentioned in a meeting with President Zelenskyy, President Jokowi said his visit was a form of concern of the Indonesian people for Ukraine.³⁹ Jokowi doesn’t care that in Taiwan there are as many as 230 thousand Indonesian workers, does not see that China’s provocation of Taiwan endangers the Asian security dilemma which could quickly attract other countries’ involvement, such as Japan and South Korea, and does not carry out strategic calculations on the movement of supply chains that threaten Indonesia’s interests.

In this context, being the ASEAN chairman for the year 2023, how will President Jokowi play a constructive role in facilitating a peace dialogue between China and China- Taiwan? China-Taiwan relations today are different from when Indonesia restored diplomatic relations in 1990. Starting a relationship with Taiwan will not change the principle of Indonesia’s One-China policy, as stated in the Memorandum of

38 See, Naskah Lengkap Pidato Kenegaraan Presiden Joko Widodo Tahun 2022

39 Kementerian Sekretariat Negara, “Presiden Jokowi: Kunjungan Ke Ukraina Wujud Kepedulian Indonesia Untuk Ukraina | Sekretariat Negara,” www.setneg.go.id, June 29, 2022, https://www.setneg.go.id/baca/index/presiden_jokowi_kunjungan_ke_ukraina_wujud_kepedulian_indonesia_untuk_ukraina.

Understanding Between the Government of the Republic of Indonesia and the Government of the People's Republic of China between Foreign Minister Ali Alatas and Foreign Minister Qian Qichen on August 8, 1990.⁴⁰

Several reasons can be considered. First, since the Republic of Indonesia was formed on 17 August 1945, the power of the government of the Republic of China (the official name used by Taiwan until today), which was then based in Nanjing, Jiangsu Province, led by President Chiang Kai-shek, has never recognized Indonesia's independence and diplomatic recognition of the government of the Republic of Indonesia. Until now, there has never been diplomatic recognition given by the government of the Republic of China in Taipei and recognition of Indonesian independence. Maybe this status can change if Taiwan recognizes Indonesia's independence (a practice of diplomacy often carried out in international relations as the Dutch do, for example).⁴¹

Second, the current economic, trade, and socio-cultural interaction between Indonesia-Taiwan is much faster and more dynamic than in the period before the resumption of diplomatic relations between the Republic of Indonesia and the People's Republic of China in 1990. Historically, since 1967 the Indonesian representative office in Taiwan, known as the Indonesian Chamber of Commerce (Kadin) was filled with intelligence officers from the State Intelligence Coordinating Board (Bakin), assisted by immigration officials (1970),

40 "Ditandatangani, Pencairan Hubungan Diplomatik RI-RRC (Signed, Resumption of RI-PRC Diplomatic Relations)," *Harian Kompas*, 9 August 1990, p. 1&11

41 Zhou Taomo, *Migration in the Time of Revolution* (Cornell University Press, 2019).

and continued to grow with the placement of economic officials from Investment Coordinating Board (BKPM), and the Ministry of Trade. In 1994, the Taipei Chamber of Commerce changed its name to the Indonesian Trade and Economic Office (KDEI) Presidential Decree number 48/1994, dated July 7, 1994.⁴² Although the decision signed by President Suharto stated that this KDEI is an economic institution that is non-governmental, the buildout is carried out by the Minister of Trade. Its financing uses the state budget channeled through the Ministry of Trade. This presidential decision needs to be more precise and contrary to the paragraph of understanding in restoring diplomatic relations between the Indonesia-PRC and conducting relations with Taiwan which is non-governmental in the economic and trade fields.

And third, related to the One-China policy as a prerequisite for any country wishing to have diplomatic relations with the PRC to recognize it as the only legitimate government with Taiwan as an integral part.⁴³ This internationally recognized policy itself is a historical legacy of the civil war in mainland China which ended with the flight of the Kuomintang government to Taiwan in the late 1940s, the emergence of the Cold War between the two superpowers US- Soviet Union since the 1950-1953 Korean War, the transfer of the position of the Republic of China as a permanent member of the Security

42 "Sejarah KDEI Taipei - Kantor Dagang Dan Ekonomi Indonesia," www.kdei-taipei.org, August 21, 2020, <https://www.kdei-taipei.org/pages/history-of-kdei-taipei-2.html>.

43 "MEMORANDUM of UNDERSTANDING between the GOVERNMENT of the REPUBLIC of INDONESIA and the GOVERNMENT of the PEOPLE'S REPUBLIC of CHINA on the RESUMPTION of DIPLOMATIC RELATIONS," August 8, 1990, <https://treaty.kemlu.go.id/apisearch/pdf?filename=CHN-1990-0022.pdf>.

Council to the PRC in 1971, and the restoration of US-China diplomatic relations in 1979 due to changes in world geopolitics.

Unlike the US, which disagrees with China's claim to Taiwan's sovereignty and also with the Republic of China as an independent and sovereign state, all ASEAN countries, including Indonesia, have no views on Taiwan's position as an independent and sovereign state entity. All Southeast Asian countries do not know whether Taiwan is a province of China because, in general, the political elites in ASEAN member countries have different colonial historical backgrounds. This condition drives the difference between the One-China policy (the official position of the PRC) and the One China principle adopted by the US.

In the context of tensions in the Taiwan Strait crisis in August 2022, all ASEAN countries in their statement reaffirmed their commitment to One-China policies. Nevertheless, the difference in opinion on the four Taiwan Straits crises; in addition to the One-China policy, Cambodia and Myanmar consider Taiwan to be a part of China, Laos supports China's reunification policy, and Singapore opposes Taiwan's independence. And this once again confirms that the nature of this One-China policy will be highly dependent on geopolitical and geo-economic developments for Southeast Asian countries to interpret according to their national interests. The positive relationship between many governments in Southeast Asia is indeed more valuable. However, due to the visit of US House Speaker Nancy Pelosi, the possibility of Taiwan's international wiggling movement is becoming increasingly limited in

the future.⁴⁴

Shared future community

The One-China policy for Indonesia has complexity as a long legacy of past relations. The recognition of Indonesian sovereignty after the proclamation of Indonesian independence on 17 August 1945, nor sympathy for the struggle against Dutch colonialism who wanted to return to Indonesia according to the end of the Second World War the Chinese government at that time, still made an impression. For a long time, the political elite of the Indonesian national movement became independent at that time, using as an example the Republic of China as a model for Indonesia, which Soekarno called "the same East nations, both a sorrowful nation, both a nation that was struggling to demand a freer life."⁴⁵

Indonesia's political upheaval due to the return of the Netherlands, for example, said that the Indonesia-China interaction towards independence in August 1945 also faced obstacles. To gain international support, Soekarno wrote to President Chiang Kai-shek in Nanjing about the danger of increasing future tensions against more than 2 million ethnic Chinese in the Indonesian archipelago.⁴⁶

44 Ngeow Chow Bing, "The 'One China' Policy of Southeast Asian Countries," *ThinkChina - Big reads, Opinion & Columns on China*, August 12, 2022, <https://www.think-china.sg/one-china-policy-southeast-asian-countries>.

45 Ir Soekarno, "Indonesiaisme dan Pan-Asiatisme" dalam *Dibawah Bendera Revolusi, Djilid Pertama* ("Indonesianism and Pan Asianism," in *Under the Banner of Revolution, Vol. 1*), (Panitya Penerbit Dibawah Bendera Revolusi, 1964), p. 73-78.

46 Vincent K. L. Chang, "Revolution and Recognition in Post-War Asia: Restoring Missing Links in the Establishment of Indonesia–People's Republic of China Relations, 1949–1950," *Journal of Contemporary Asia* 51, no. 4 (July 16, 2020): 591–615, <https://doi.org/10.1080/00472336.2020.1>

Soekarno wrote, It needs no arguing that the Indonesian people will resist every forcible effort of Dutch imperialism to reconquer her former colonies. The Indonesian people will take a firm stand against every aggression on her Liberty but refuse any responsibility for the bloodshed to come, the losses of innocent human lives, valuable properties, and precious cultural goods.

The lives and properties of thousands of Chinese inhabitants of Indonesia will become greatly endangered as well.⁴⁷

Therefore, Soekarno asked President Chiang's help to mediate at the UN Security Council to include an agenda aimed at developing solutions to Indonesia's problems. However, Soekarno's letter was never answered by Chiang Kai-shek. Soekarno's letter is dated 15 May 1945 and was received as a diplomatic note by the Chinese Embassy in The Hague to the Dutch Ministry of Foreign Affairs on 10 June 1945.⁴⁸ Soekarno's letter was not answered. It is possible that the Republic of China, which was part of the allies that won the Second World War, saw the resistance of the Indonesian people against the Netherlands and considered it a rebellion. And this is indeed part of history; the rebels at that time were freedom fighters today.⁴⁹

Today, Indonesia-Taiwan relations, as the embodiment of the historical depth of the two national entities, must be improved by the One-China policy due to changes in the geopolitical

nature of the region. Simultaneously, integration and interdependence of economy and trade are increasingly crucial for the continuity of development towards growth among Asian countries.⁵⁰ Nevertheless, many regional countries were caught in the shadow of the Cold War, in the radical changing geopolitical structure of the competition of superpowers.

What has always been fascinating to note is that Asia is the only region that suffers significantly from the global political game of the Cold War, bringing misery to millions of Asians. And Asia is the only region in the world that produced prolonged separation and suffering due to the Cold War, bringing bonds of fraternal division and kinship in the form of two Vietnamese states, two Koreans, and two Chinese countries. In the case of Vietnam, their unification is heavy and difficult through long and bloody battles. But, at the same time, the end of the Vietnam War also marked an era that ended global political domination.

The question is: will China retain its influence due to the size and scale of its economic achievements without causing unacceptable damage to its Asian neighbors, including Taiwan and the US economic and strategic interests in the region? Will the United States and other Asian countries recognize Taiwan's regional growth contribution and overcome pressure from Beijing to include Taiwan in regional trade arrangements? Can Taiwan maintain de facto independence in the face of Chinese sovereignty through further economic integration? This critical question is crucial in

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47 *Ibid*, p.2

48 Vincent K L Chang, *Forgotten Diplomacy: The Modern Remaking of Dutch-Chinese Relations, 1927-1950* (Leiden; Boston: Brill, 2020). p. 312

49 See Zhou, *Migration in the Time of Revolution*.

50 Adriana Elisabeth Sukanto and Hsia Tu Chaw, *Indonesia-Taiwan Economic Cooperation Arrangement : Is It Feasible?* (Jakarta: Yayasan Pustaka Obor Indonesia, 2014), p. 169-195

determining the region's peace, prosperity, and stability.

This has indeed become challenging, as changes in globalization have resulted in what is referred to as weaponized interdependence, where some countries can take advantage of interdependent relationships to force other countries to align with a particular agenda. In particular, countries with political authority over central nodes in the structure of international networks where money, goods, and travel information are uniquely positioned to charge others. They can arm networks to gather information or strangle economic flows and information if they have suitable domestic institutions, find and exploit vulnerabilities, force policy changes, and prevent unwanted actions.⁵¹

In the context of the One-China policy, what has been achieved in ASEAN has been a new type of cooperation between countries through connectivity is not only a breakthrough towards the inclusive dynamics of regionalism but also a model of expanding economic, trade, and business opportunities in the era of free trade areas. For this reason, in the ASEAN environment, it is necessary to reformulate the One-China policy, to open many choices for every Southeast Asian country, placing Taiwan in a broad position in the form of multilateral cooperation, except in the form of political and security issues.

We now live in a world where national political

51 Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (July 2019): 42–79, https://doi.org/10.1162/isec_a_00351.

behavior and the capacity of states to implement and develop policies, whether as an effective national strategy or the concept of a role that wants to be transformed, face a significant transformation. First, changes in technological innovation are driven by advances in knowledge and scientific exploration to solve practical problems and relieve human desires. This innovation creates exponential growth in all social interactions within and across borders.⁵² The regionalization of ASEAN-China-Taiwan relations has intensified interdependence between individuals and communities in each country within or across borders. It will continue in the future due to previously unimaginable accelerations.

Second, the revolution is increasing expectations among the people. Globalization as we know it also has impacts domestically on the political demands made by citizens or groups to their political leaders. This growing trend of expectations joins the demand for material satisfaction and ideological aspirations. In ASEAN, there is growing pressure on material benefits and normative aspirations related to income or better human rights protection. Population growth and individual empowerment through education and knowledge, leading the rise of expectations at a faster pace, possibly even exponentially. And again, this also puts more pressure on politics within and between countries.

In this context, the question that needs to be raised is how are we going to synchronize the ideal conception of community with a shared future into a practical understanding

52 Volker Stanzel, *New Realities in Foreign Affairs* (Nomos Verlag, 2019).

to promote economic and trade cooperation by embracing non-governmental exchanges, people-to-people partnerships, and building a solid foundation of political mutual trust? German sociologist Otto Bauer coined the term community with a shared future as “Schicksalsgemeinschaft,”⁵³ an imagined community with fate or destiny that shared history through a common process of social structuring what is called a “mnemonic community,”⁵⁴ a community formed through shared collective memory.

In Bauer’s conception, the nation is always a community of fate. The community of fate becomes effective, on the one hand, through the natural inheritance of the characteristics cultivated by the common fate of the nation and, on the other hand, through the transmission of the cultural goods determined by the fate of the nation in their peculiarity.⁵⁵

There is a need for Indonesia’s new formulation to anticipate the dynamics across the Taiwan Strait and formulate the One-China policy’s ideal principles to shape the One-China policy in directions that do not damage the Indonesia-China bilateral relations order. For Taiwan, the One-China policy, as formulated in the 1992 Consensus, clearly emphasizes One China terminology by stating, “both sides of the Taiwan Strait agree that there is only one China.” Whatever opinion on both sides of the strait about this One China meaning should be

considered an internal China issue.

Thus, the interaction between Indonesia and ASEAN countries becomes free, for example, in determining the increase in connectivity towards the ASEAN Community, which will have a significant impact on connecting Taiwan with economic and socio-cultural pillars as the essential foundation for building a common shared future community. Many ways can be done together to reformulate One-China policies and principles without losing the sovereignty of both economic, trade, and social entities on both sides of the Taiwan Strait. Coercive behavior should be avoided in order to prevent an open conflict.

53 Otto Bauer, *Die Nationalitätenfrage Und Die Sozialdemokratie* (VERLAG DER WIENER VOLKSBUCHHANDLUNG IGNAZ BRANI VI., GUMPENDORFERSTRASSE 15, 1907).

54 Ingo W. Schröder. “The Political Economy of Common Destinies in the American Indian Southwest.” *Journal of the Southwest* Vol. 44, No. 1, *History and Community* (Spring, 2002), pp. 3-16 (Spring), pp. 3-16

55 Bauer, *ibid*, p. 21-22

Taiwan in the Pursuit of Peace, Stability and Economic Resilience

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The Evolving Cross-Strait Relations

The Cross-Strait relations between China and Taiwan have evolved over the four decades since the early 1990s when then President Lee Teng-hui relaxed policy towards China and began to allow indirect trade with and investment in China. After China and Taiwan were admitted to the World Trade Organization (WTO) in December 2001 and January 2002 respectively, Taiwan continued to maintain certain restrictions on trade and investment with China while most prohibitions were removed or relaxed under the WTO principles. On June 29, 2010, 18 months after President Ma Ying-jeou, then Chairman of the Kuomintang (KMT), took office, the Economic Cooperation Framework Agreement (ECFA) was signed between Taiwan and China and came into force the following September.

The ECFA was a landmark agreement, ending more than five decades of official silence across the Taiwan Strait. It was expected to serve as a blueprint for comprehensive cross-Strait economic integration through four subsequent trade-related agreements concerning investment protection, trade in goods, trade in services, and dispute settlement, with the medium to long-term goal of creating a Cross-Strait Free Trade Area where free flows of goods, services, and investment would be fully realized.

Cross-Strait economic activities continued with strong growth since the late 1980s, particularly in trade with and outbound investment in China, while China's accession to the WTO in 2001 prompted Taiwanese companies to accelerate manufacturing off-shoring to China to improve their cost competitiveness in exports. Many international brands, mainly big US companies, also began to outsource manufacturing to Taiwanese contract manufacturers in China, thus creating the trilateral operation models by which Taiwanese companies contract manufactured or assembled products in China for their US clients, for export to the US market. The ECFA further facilitated such operations by reducing costs for manufacturing in China.

According to Taiwan's statistics, China remained the main destination for Taiwanese outbound investment. Most investment in China was in the manufacturing sector, although its share declined from 84% in 2010 at the peak to less than 40% after 2018. The cumulative approved direct investment from Taiwan to China from 1991 to 2012 was around US\$124.5 billion, 81% of which was in manufacturing, while the past decade (2013 to 2022) saw a gradual shift of investment in the services sector and for the domestic market. The level of investment in China is believed to be under-reported as many investors have invested through a Hong Kong or a third-country entity in order to avoid scrutiny by the Taiwanese government. It is estimated that more than 100,000 Taiwanese companies have operations in China and more than 1 million Taiwanese citizens are residing in China.

However, the presidential election in January 2016 changed the dynamics of Cross-Strait relations. In May 2016, President Tsai Ing-wen, then Chairwoman of the Democratic Progress Party (DPP), announced the adoption of a New Southbound Policy (NSP) as her flagship external policy when she took office. The NSP, similar to the previous Go South policy adopted by President Lee Teng-hui in 1994 and by President Chen Shui-bian in 2002, is aimed at strengthening economic relations with Southeast and South Asian countries while trying to reduce economic engagement with and dependence on the Chinese market.

Cross-Strait relations since 2016 have also faced other critical challenges amidst increasing geo-political tensions between China and the US. In July 2018, the Donald

Trump administration of the US authorized the imposition of 301 tariffs on the first batches of Chinese imports after investigation of its "unfair trade practices" with the US, triggering the US-China "trade war" and strategic competition where the US moved to deter China's development in advancing technology and military expansionist actions.

Taiwanese companies, particularly those having export-oriented manufacturing operations in China, were immediately impacted by the changing US strategy and unfavorable attitudes toward China. Increasing geo-political tensions and the COVID-19 pandemic since early 2020 drove Taiwanese companies to review their business strategy and hence identify a need to diversify their investment plans in China. Such diversification plans have since then resulted in a significant shift of Taiwan's investment flows from China to other countries or regions, and some re-shoring to Taiwan.

According to data released by the Investment Commission, Ministry of Economic Affairs, Taiwan, Taiwan's investment in China decreased to around US\$ 5 billion in 2021, which accounted for only about 31% of Taiwan's total FDI outflows, showing a sharp contrast with the year 2010 when FDI outflows in China reached US\$ 14 billion and accounted for 84% of the total investment.

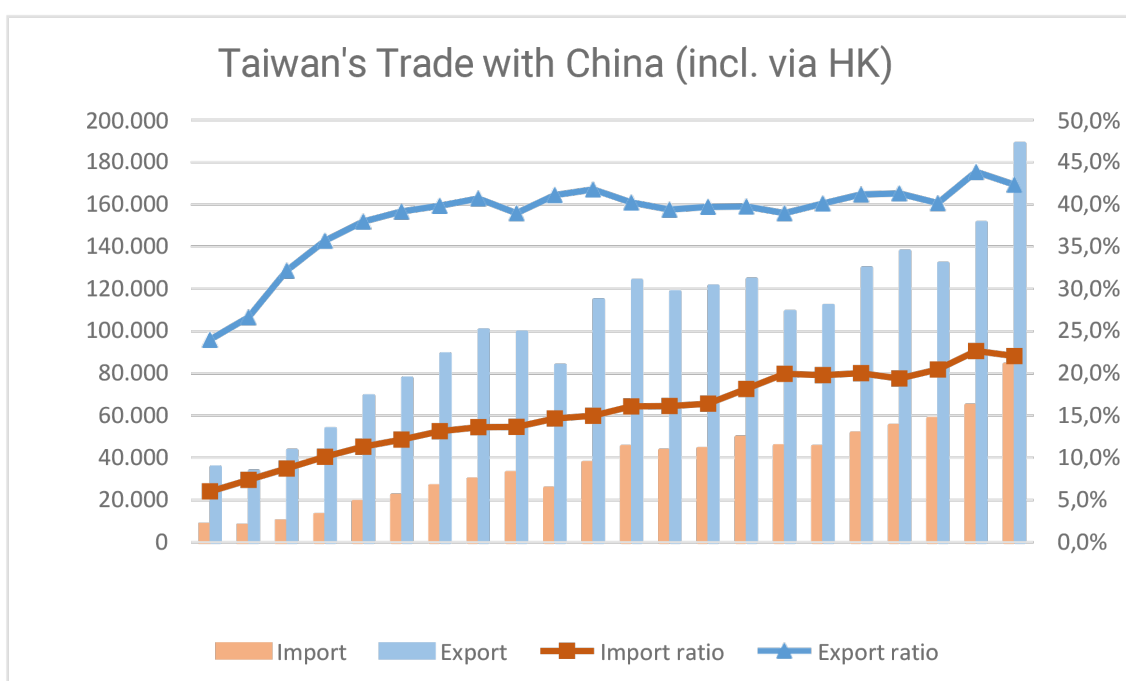
The continuing trend of diversification has significant implications for Cross-Strait relations. It has a direct impact on employment, supply chain development, and technological advancement in China, as Taiwan had been among the main sources of investment in these areas. The trend will also weaken the close

business ties across the Taiwan Strait. To a lot of Taiwanese companies, especially the large ones, the Chinese market is still among the most important markets, and thus “decoupling” is not possible, nor a favorable option. However, Taiwanese companies now adopt a more diversified strategy in order to mitigate the risks of over-concentration in China. When the trend continues and results in systemic relocation or even “exit” of Taiwanese operations from China, it may lead to the decoupling of supply chains. The current diversification plans of the US company Apple’s smartphone supply chains from China to Vietnam and India indicate a possibility of decoupling supply chains in the next few years, though as of now most of the intermediate goods needed for manufacturing or assembly still depend on Chinese imports.

Taiwan’s trade relations with China also show different dynamics. According to official data released by the Taiwanese government, bilateral trade between Taiwan and China, including goods transship via Hong Kong to China, reached US\$ 273 billion in 2021, expanding by 8 times compared with US\$ 43.96 billion in 2000 when both were admitted to the WTO. It is important to note the increasing share of export to China for Taiwan’s total export grew from 23.97% in 2000 to 41.18% in 2017, before the US-China trade conflicts, and then to 43.86% in 2020 when it reached a historic record. Shares of imports from China for Taiwan’s total imports also increased from 6.01% in 2000 to 14.96% in 2010 when the ECFA was signed, and then to 22.65% in 2020, also reaching a record high. (Figure 1)

These different milestones suggest that WTO membership and the signature of the ECFA have prompted significant trade growth across the Strait, while US-China trade conflicts provided momentum for US-Taiwan trade and relocation of supply chains from China to the US.

Figure 1: Taiwan’s Trade Relations with China (2000-2021)



Source: Bureau of Foreign Trade, MOEA, Taiwan.
<https://cuswebo.trade.gov.tw/FSC3210F/FSC3210S>

Further impacts of the ECFA are spillover effects outside bilateral trade which impact Taiwan's pursuit of bilateral trade agreements with trading partners which have no diplomatic relations. Since the enforcement of the ECFA, the Taiwanese government has looked to negotiate Free Trade Agreements (FTAs) or Economic Cooperation Agreements (ECAs) with major trading partners. First such success is the signature of the ANZTEC, the Economic Cooperation Agreement Between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, on 10 July 2013, followed by the ASTEP, the Economic Cooperation Agreement Between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, on 7 November 2013. President Ma also expressed keen interest in joining the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

Since 2016, changing Cross-Strait relations made Taiwan's pursuit of developing more FTAs or ECAs with trading partners, particularly with the ASEAN Member States (AMS) and India, extremely difficult despite the Tsai Administration prioritizing the signing of trade and investment agreements as a key feature of the New Southbound Policy. Taiwan also applied to join the CPTPP in September 2021, following China's application but so far has no plans to join the RCEP. Considering China's strong opposition and increasing assertiveness towards Taiwan, it would be challenging to seek the consensus of CPTPP members in supporting Taiwan's submission.

Changing Cross-Strait Relations post Pelosi's visit - Response of Taiwan to Increasing Threats by China

President Tsai's Cross-Strait policy - Maintaining the "status quo" of peace and stability in the Taiwan Strait

Managing the Cross-Strait relationship was often regarded as a challenging task for DPP leaders, due to its different political position and policy on China, when compared with the KMT. Since President Tsai took office in January 2016, during her first term of presidency, she has proposed a consistent and stable cross-strait policy aiming at maintaining the "status quo" with China. When Tsai was re-elected in 2020, she used her inaugural address to re-state her intention to implement an overall national strategic goal to maintain the "status quo" of peace and stability in the Taiwan Strait through the four principles she raised of "peace, reciprocity, democracy, and dialogue."

However, Cross-Strait relations continued to be tense and confrontational in recent years. On Taiwan's side, the Tsai Administration does not recognize the "1992 Consensus," a different stance taken by the China-friendly KMT and former Ma Administration. While not directly

advocating for Taiwanese independence, President Tsai and Vice President Lai Ching-te continued to highlight the sovereignty disputes with China, addressing the government's position on safeguarding Taiwan's sovereignty and re-affirming that Taiwan is a sovereign and independent country and that neither Taiwan nor China are subordinate to each other. China has viewed these policy statements as the DPP's effort to seek Taiwan's independence and aim to tear down Cross-Strait ties.

Furthermore, the Tsai Administration's external policy and increasing engagement with major powers and neighboring countries are also perceived as challenging its One China principle or advocating conflicts with China. For example, President Tsai announced the New Southbound Policy as a major external trade policy and regional strategy to enhance economic engagement with Southeast and South Asian countries. Despite the NSP's focus on trade and industrial collaboration being welcomed by partner countries, especially the Southeast Asian countries and India, China believed Tsai's attempt was to downgrade Cross-Strait relations by redirecting economic ties with the partner countries.

China's military threats and economic coercion

The changing US-China relations and improved US-Taiwan relations have further complicated the already worsening Cross-Strait relations. In 2021, Trump's anti-China and Taiwan-friendly stance was further expanded upon by President Joe Biden, especially with the development of a bilateral security partnership with Taiwan and enhancing exchanges of high-ranking officials. In April 2022, the

Biden administration announced the latest Guidelines for Relations with Taiwan, aiming to relax existing inappropriate restrictions on Taiwan-US exchanges which have limited closer official interaction between Taiwan and the US for decades.

Beijing viewed these developments as provocative actions from Taiwan, and Taiwan is seeking "reliance on the US for independence". Chinese leader Xi Jinping has repeatedly demonstrated his strong will not allow any "external forces" to provoke Taiwan's independence by declaring that, under the theme of "realizing the great rejuvenation of the Chinese nation," the Communist Party of China's (CPC) primary goal is to "provide the best possible solution to the problem of Taiwan and to realize the complete unification of the motherland", and that "no one should underestimate the strong determination, firm will and powerful ability of the Chinese people to defend the sovereignty and territorial integrity of their country."

Since Tsai took office, Beijing has increasingly used "gray zone conflict" to exert pressure on Taiwan. Along with Biden's support for strengthening Taiwan, China has expanded threats on Taiwan and those who support Taiwan. The House of Representatives Speaker Nancy Pelosi's visit to Taiwan beginning on August 2, 2022, triggered stark opposition from Beijing. The People's Liberation Army (PLA) responded with unprecedented military exercises around Taiwan, including firing missiles into the sea and crossing the median line that has divided the Taiwan Strait for decades.

According to the Ministry of Defense in Taiwan, in 2014 and 2015 during the Ma administration, there were only four air force sorties by China's military aircraft seen as harassment of Taiwan. In 2020, there were 380 military aircraft intruded into Taiwan's air defense identification zone (ADIZ). The number further rose to around 3,000 in the first eleven months of 2022.

In mid-December, the Biden administration authorized increased military assistance to Taiwan under the US National Defense Authorization Act, which permits up to US\$ 10 billion in weapons sales to Taiwan. China then sent 71 warplanes near Taiwan as a part of its biggest display of military might. According to the Ministry of Defense in Taiwan, the flights included 47 Chinese military aircraft that crossed either the median line of the Taiwan Strait or entered Taiwan's southwest ADIZ in a 24-hour period. China also sent 7 naval vessels near Taiwan. These PLA exercises are a political message expressing dissatisfaction with US legislation, such as the Defense Act, which allows for considerable resources to be committed to Taiwan.

On the economic aspect, Beijing continued to use unilateral economic sanctions or trade restrictions to coerce Taiwan. For example, Beijing implemented a labeling requirement demanding all imports of Taiwanese products into the Chinese market be labeled "Taiwan Province of China" as import origin. Those labeled as products of "Taiwan" or "Republic of China (ROC)" were rejected by Chinese customs. In 2021, China unilaterally banned imports of Taiwan agricultural products and fruits, such as pineapples and certain fishery

products.

After Pelosi's visit in August, Beijing further announced import bans on agricultural, fishery products and processed food from Taiwan. The ban affected more than 100 food companies and considerable numbers of farmers in several counties in South Taiwan, where there are believed to be the majority of supporters for the DPP. China also announced a prohibition on exports of its sand products to Taiwan for use in construction projects.

According to the Ministry of Economic Affairs in Taiwan, exports of agricultural and fishery products to China only account for less than 1% of total exports to China. Despite the insignificant overall economic impact, as China is Taiwan's largest agricultural export market, the adverse effects on Taiwan's farming sector, particularly fruits and certain fishery products, are greater than the trade data appear.

Promoting a Strategic Alliance with Democracies

A "stronger than ever" US-Taiwan Relationship

The US views Taiwan as a key partner in the Indo-Pacific, a leading democracy and a technological powerhouse. Though the US recognizes there is only one China and has no diplomatic relations with Taiwan, both sides have developed a robust unofficial relationship.

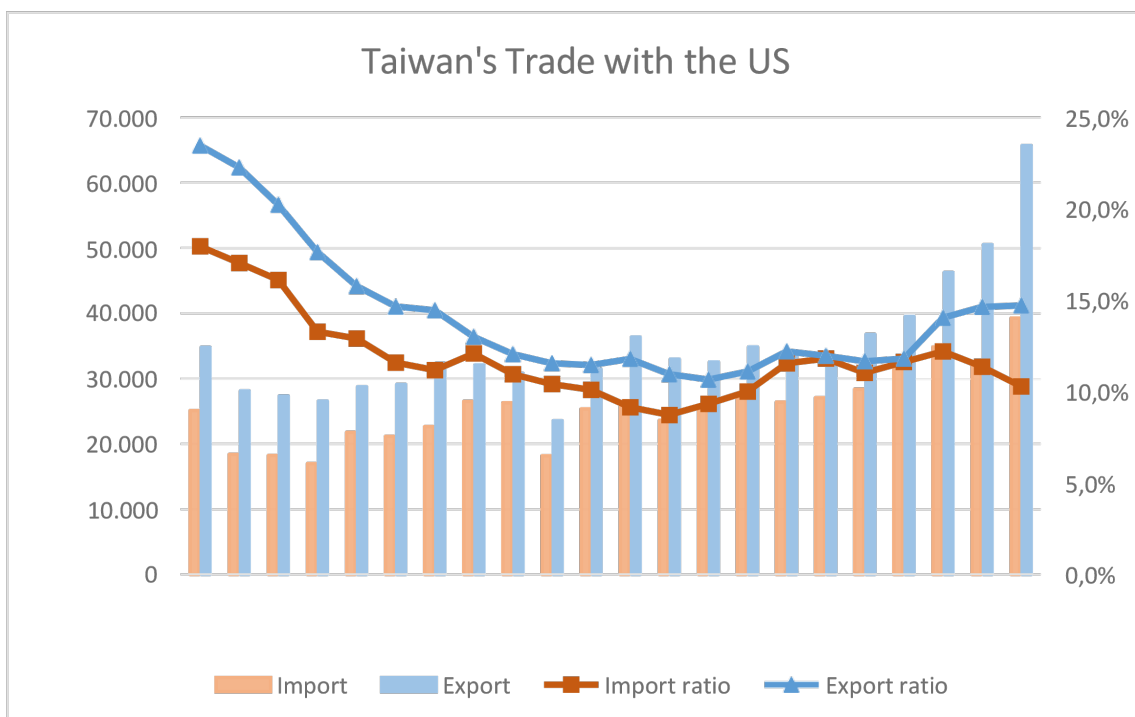
Both the Trump and Biden administrations acknowledged Taiwan as a like-minded partner that shares similar values of democracy, human rights, and freedom with the US.

The bilateral relations have evolved over the decades and have now been described as “stronger than ever,” according to the Tsai Administration and some US officials and experts. It is generally believed by both sides that currently there is much stronger support for Taiwan from both the US administration and Congress. The driving force behind the US’s more favorable attitude is the admiration for the democracy, freedom, and free markets of Taiwan, a stark contrast to the old days of anti-communism being the key driver.

To respond to China’s growing assertiveness in the region and Taiwan’s demands to improve its self-defense capabilities in the Taiwan Strait, as of December 2022, President Biden has approved six rounds of military sales to Taiwan under the Taiwan Relations Act and the Six Assurances. President Tsai declared that Taiwan will continue to bolster its self-defense capabilities.

Today, US-Taiwan collaboration has expanded from trade and investment to health, semiconductor, and other critical supply chains, investment screening, science and technology, education, and advancing democratic values. Since 2016, bilateral trade has also reached a record high, with Taiwanese exports to the US increasing from US\$ 33.40 billion in 2016 to US\$ 65.69 billion in 2021, and Taiwanese imports from the US increasing from US\$ 27.09 billion to US\$ 39.26 billion in the same period. More importantly, with Taiwan’s share of exports to the US increasing from around 10% to around 15%, the US is currently Taiwan’s second largest market, only behind China (Figure 2).

Figure 2: Taiwan’s Trade with the US (2000-2021)



Source: Bureau of Foreign Trade (MOEA), Taiwan.
<https://cuswebo.trade.gov.tw/FSC3210F/FSC3210S>

The Internationalization of Security in the Taiwan Strait Issues

Under China's increasingly authoritarian government and Xi's dictatorial leadership and external expansionism, the international community has become more alert to the threats of China, and in the meantime, more supportive and sympathetic to Taiwan. Furthermore, China's continued military exercises across the Taiwan Strait have highlighted the "Taiwan Contingency" issues which were often put on the agenda of world leaders' meetings or considerations, such as the G7, and the EU-US Summit, among others. Such "internationalization of Taiwan Contingency" issues have raised Taiwan's international profile and led to unprecedented exchanges and interactions between Taiwan and democracies in the West and Japan.

Japan has a territory dispute with China and constantly feels its sovereignty is being threatened by China's increasing actions in the East China Sea. China's ongoing activity in the South China Sea has also heightened regional tensions. Sharing common threats and concerns with Taiwan, Abe Shinzo, former Prime Minister of Japan, was the first national leader to publicly support Taiwan and voiced grave concerns over China's military expansionism in the past years. When addressing a virtual forum in August 2021, he indicated that "a Taiwan contingency is a contingency for Japan (台湾有事は日本有事だ) and therefore a contingency for the Japan-US alliance." Abe believed that "a stronger Taiwan, a thriving Taiwan, and a Taiwan that guarantees freedom and human rights are also in Japan's interests." Therefore, an armed invasion of Taiwan would be a grave

danger to Japan, and that "President Xi should have no misunderstanding in recognizing this."

Abe's clear indication of Japan's position on China's assertiveness and attempt to take Taiwan by force has lifted the already close bilateral relationship between Japan and Taiwan to a new height. Abe was seen in the eyes of the Tsai Administration and many Taiwanese citizens as the most pro-Taiwanese Japanese leader. Fumio Kishida, the current Japanese Prime Minister, echoed Abe's policy of continuing to support Taiwan while underlining the importance of peace and stability in the Taiwan Strait.

After Pelosi visited Taiwan, she visited Seoul and Tokyo as the last stops on her Asian Trip. China, on the day of her visit to Tokyo, fired at least nine ballistic missiles, of which five landed within Japan's exclusive economic zone (EEZ). Kishida strongly criticized China's behavior in his meeting with Pelosi and urged both nations to uphold democracy and the rule of law.

Apart from respective nations showing support and sympathy for Taiwan, the international community has also begun to discuss "Taiwan Contingency" issues and expressed their concerns. After Pelosi's visit, the G7 Foreign Ministers issued a statement and declared their support for Taiwan to "reaffirm our shared commitment to maintaining the rules-based international order, peace, and stability across the Taiwan Strait and beyond." They raised concerns over China's threatening actions, particularly live-fire exercises and economic coercion, which risk unnecessary escalation. "There is no justification to use a visit as a pretext or aggressive military activity in the Taiwan

Strait.” “It is normal and routine for legislators from our countries to travel internationally. China’s escalatory response risks increasing tensions and destabilizing the region.”

The Association of Southeast Asian Nations (ASEAN) also expressed great concerns and for the first time issued the “ASEAN Foreign Ministers’ Statement on the Cross Strait Development” on August 3, 2022. It stated worries over “the recent development in the area adjacent with the ASEAN region, which could destabilize the region and eventually could lead to miscalculation, serious confrontation, open conflicts and unpredictable consequences among major powers,” and that “ASEAN calls for maximum restraint, refrain from provocative action and for upholding the principles enshrined in United Nations Charter and the Treaty of Amity and Cooperation in Southeast Asia (TAC).”

The statement was released as Chinese Foreign Minister Wang Yi met with the ASEAN Foreign Ministers in Phnom Penh, Cambodia. However, it neither named China, Taiwan, or the US nor was specific regarding who should show restraint, while reiterating AMS’ support for their respective One-China policy. This demonstrated the varying policy focus between the Western countries and some Asian countries (except Japan). While the US and its allies condemned China for its aggressiveness in the region, Asian countries tended not to choose sides and have been more worried about potential conflicts which may immediately dismantle security and stability in the region and will devastate all efforts to revitalize the economy post the pandemic.

Pursuing Economic Resilience

Developing a sustainable, more re-balanced and diversified economic partnership

Recent years have witnessed the slowing down of the global economy due to a variety of reasons, including the COVID-19 pandemic, lingering challenges of supply chain operations, and rocketing inflation in almost all markets after the Russian invasion of Ukraine in February 2022. The economic slowdown is expected to carry on into the next few years and change trade and commercial activities in most parts of the world.

Taiwanese companies’ changing investment strategy in recent years, coupled with growing awareness of economic security and resilience, has led to reducing dependence on the Chinese market and a more diversified and vital economic partnership with other major trading partners.

It is noteworthy that Taiwan’s FDI outflows have been significantly diversified in the past five years. On the one hand, the changing investment climate in China has resulted in a gradual shift of new investment projects into other regions. On the other hand, Taiwanese investors have either adopted a diversification strategy to review their investment in China in order to reduce risks in the global context of increasing geo-political tensions or are requested by their clients, mostly international large brand companies in the West, to shift or diversify their manufacturing operations outside of China.

In the meantime, more Taiwanese companies also actively responded to the US call for on-shoring or re-shoring and decided to invest in the US or other regions. For example, in 2018 and 2020, Taiwanese FDI outflows in the US amounted to US\$ 2 billion and 4 billion respectively, demonstrating a sharp growth in contrast to the declining trend of investment in China. In 2018, the Taiwan-based company Foxconn responded to President Trump's calls to re-shore in the US. The investment project became a benchmark project in US-Taiwan relations.

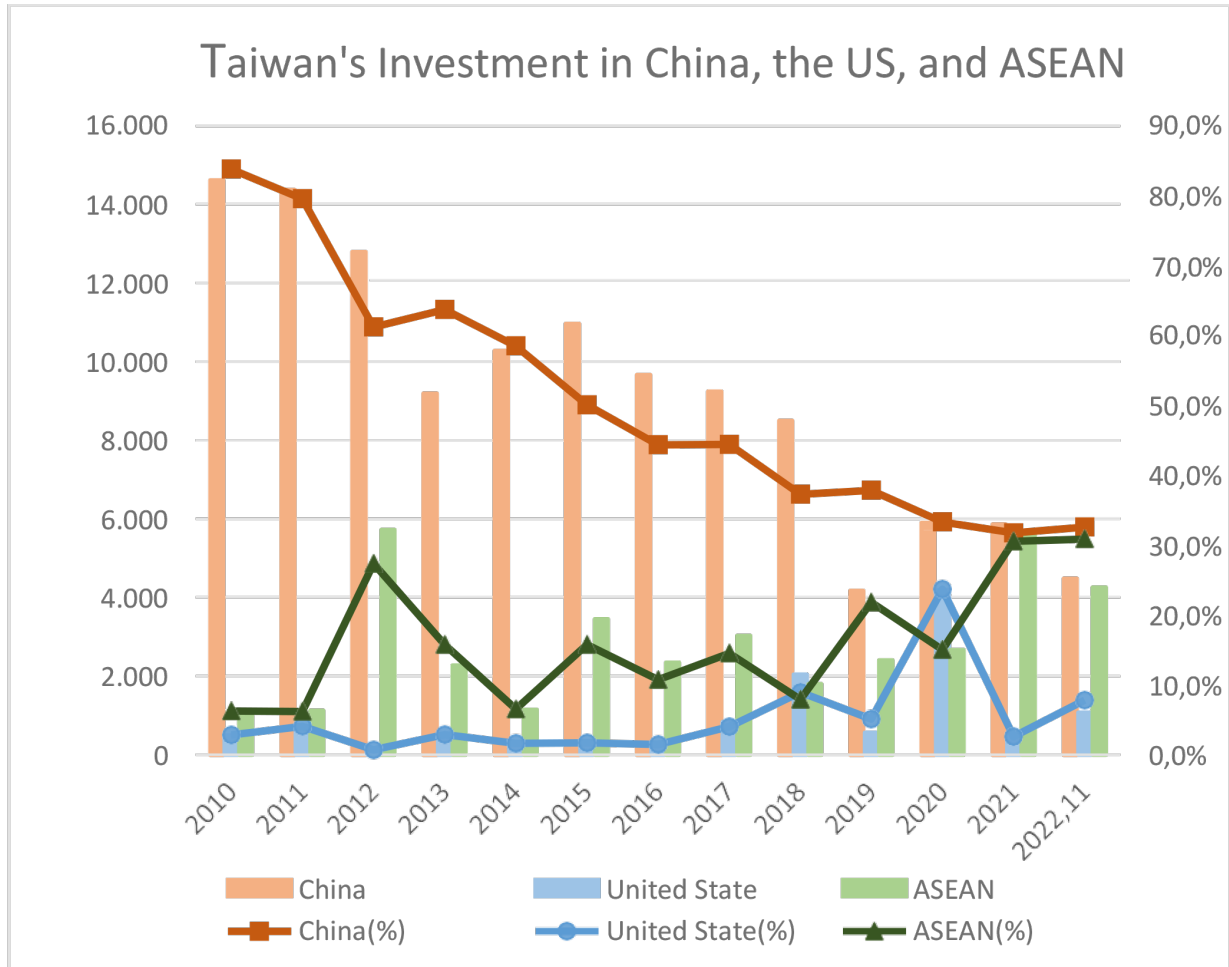
In May 2020, Taiwan Semiconductor Manufacturing Company (TSMC) announced its plan to build a fabrication facility in Phoenix, Arizona to manufacture 5 nm advanced chips. In early December, TSMC announced that in addition to the first fab in Arizona, which is scheduled to begin production of N4 (4nm) process technology in 2024, it has also started the construction of a second fab which is scheduled to begin production of 3nm process technology in 2026.

The overall investment for these two fabs, the most advanced semiconductor process technology on US soil, will be approximately US\$40 billion, representing the largest foreign direct investment in Arizona's history and one of the largest foreign direct investments in the history of the US. When complete, these two fabs will manufacture over 600,000 wafers per year, with an estimated end-product value of more than US\$40 billion.

In addition to the over 10,000 construction workers who are employed in the construction of the site, TSMC's two fabs are expected to create an additional 10,000 high-paying high-tech jobs, including 4,500 direct TSMC jobs. Both the US and Taiwan governments are working toward developing semiconductor supply chains in the US, aiming to reduce dependence on China.

These benchmark investment projects of TSMC, Foxconn, and other major Taiwanese companies in the US celebrate a historic milestone of the US-Taiwan economic relationship, and transform the US from an export market to a major investment destination and a critical supply chain partner. Such changing dynamics have also been reflected in Taiwan's outbound investment activities - declining trends in China while growing trends in the US and other countries, such as AMS. In the past 4 years, Taiwan's investment outflows in China had declined to less than 40%, while investment outflows in the US and AMS continued to increase. In 2021 and the first eleven months of 2022, share of Taiwan's investment outflows in the ASEAN region was around 30%, almost equal to the share in China (Figure 3).

Figure 3: Trends of Taiwan's Investment in China, the US, and ASEAN (2010-2022.11)



Source: Investment Commission, MOEA, Taiwan.

<http://www.moeaic.gov.tw/english/index.jsp>

Taiwan also looks forward to continuing to build comprehensive and deep economic and trade cooperation with AMS, the US, and other trading partners. The New Southbound Policy has already successfully promoted trade and investment with Southeast Asian Member States and India. Taiwan and the US have reassumed consultations under the Trade and Investment Framework Agreement (TIFA) and created the Economic Prosperity Partnership Dialogue (EPPD) and the Technology Trade and Investment Collaboration (TTIC) framework. Taiwan also launched a project to strengthen connectivity with Europe, aiming to have more collaboration under the EU's Global Gateway project.

Maintaining Taiwan's Central Role in Global Supply Chains - Making the "Silicon Shields" Work

Taiwan has sought to strengthen its economic resilience and improve economic security by working with diverse trading partners to expand its economic ties. Taiwan's positions in the global supply chains of semiconductors, electronics and Information and Communication Technology (ICT)

Industry, automobile components and parts, and high-ended functional textiles, especially its critical role in global semiconductor supply chains, were fully recognized when the COVID-19 pandemic made the supply chain resilience issues so acute.

In the past few years, Taiwan’s manufacturing capacities of the world’s 92% of advanced chips have demonstrated its strategic importance in the global semiconductor and micro-electronics supply chains and technological competitiveness over China. (Table 1) Such a central role highlights its strategic value when the US, Japan, and the EU endeavor to improve their strategic autonomy and self-sufficiency in strategic and core technology and products.¹ However, the development of the “Silicon Shields” theory should not be overexaggerated, as Taiwan should prioritize a development strategy and national security which lie in its pursuit of peace, stability, and sustainable economic growth.² It is also important for Taiwan to work with democratic countries and neighboring states to work together to ensure peace and prosperity in the Indo-Pacific.

Table 1: Taiwan Semiconductor sectors – State of Play

Sub-Sectors/ Layers	Numbers of firms	Revenue (2021e) NT\$100 million*	Share in Global Market	Global Ranking	Numbers of employees	Numbers of R&D Staff	Market Leaders
Total	285	38,050	--	2	256,526	52,740	--
IC Design	235	11,133	20.8	2	49,533	36,010	MeidaTek, Novatek, Realtek
Wafer Manuf. Fabrication	13	20,898	75.2	1	109,176	9,707	TSMC, UMC, Nanya, Winbond
Assembly, Packaging & Testing (APT)	37	6,019	58.0	1	132,893	5,000	ASE, PTI, KYEC

Source: IEK, ITIR, Taiwan

1 Hsu, Kristy, “Taiwan as Partner in the US Semiconductor Supply Chains”, Wilson Center, 2022, at [Tsun Tzu Hsu | Wilson Center](#)

2 The term “silicon shield” was first coined by Craig Addison in late 2000, who argued in his book “Silicon Shield: Taiwan’s Protection Against Chinese Attack” that the island’s rise as the key supplier for the world’s digital economy would serve as “a deterrent against possible Chinese aggression.” However, opponents disagree and argue against the effectiveness of the “silicon shield”. See “Can Taiwan’s Silicon Shield Protect It against China’s Aggression?” VOA, May 10, 2021, https://www.voanews.com/a/east-asia-pacific_can-taiwans-silicon-shield-protect-it-against-chinas-aggression/6205660.html#:~:text=The%20term%20%22silicon%20shield%22%20was%20first%20coined%20by,serve%20as%20%22a%20deterrent%20against%20possible%20Chinese%20aggression.%22

Conclusion

The Cross-Strait relations have evolved over the past four decades. Despite bilateral trade and investment activities continuing to develop, the relations between the current Taiwanese government and the Chinese government and CPC have reached “the lowest point” since 2016. The changing US-China relations and improved US-Taiwan relations have further complicated the development of Cross-Strait relations.

The Cross-Strait relationship was often regarded as a challenging task for DPP leaders. Since President Tsai took office in January 2016, she has proposed a consistent and stable cross-strait policy aiming to maintain the “status quo” with China. When the administration entered its second term in January 2020, Tsai again stated her determination to implement an overall national strategy to maintain the “status quo” of peace and stability in the Taiwan Strait. These messages should be clearly received in Beijing and considered in China’s Taiwan policy. The US should also support Taiwan’s efforts in pursuit of peace and stability across the Taiwan Strait. The US also needs to reconsider its strategy toward a constructive US-China engagement, despite this, it will continue to confront Beijing in many areas.³ The US’s China strategy should clearly support and protect Taiwan’s national security and economic resilience and the US will not sacrifice Taiwan in its anti-China actions.⁴

The Tsai Administration holds a different position from the Ma Administration concerning the “1992 Consensus”, which China believes to be the non-negotiable cornerstone for a peaceful and healthy Cross-Strait relationship, while the majority of Taiwanese citizens disagree with any proposals towards unification with China. Both sides need to find solutions to solve the fundamental differences and avoid potential military conflicts in the Taiwan Strait and the Indo-Pacific.

Considering China is still Taiwan’s largest trading partner and investment destination, it is not in Taiwan’s economic interest to “decouple” Cross-Strait economic ties. For example, there are calls in the DPP to abolish the ECFA. Such a voice disregards significant economic benefits accrued to Taiwan and cast unpredictability on the business community. Despite the importance of the Chinese market, the Taiwanese government has to advise its business sector on the increasing geo-political tensions caused by over-concentration in the Chinese market and the need to further diversify economic relations.

In the meantime, the Tsai Administration has worked with major powers who increasingly support Taiwan, and with trading partners working towards a more diversified economic partnership. The

3 Hass, Ryan, Blanchette, Jude, “Central Questions in US-China Relations amid Global Turbulence,” CSIS, July 21, 2022, <https://www.csis.org/analysis/central-questions-us-china-relations-amid-global-turbulence>

4 Hammond-Chambers, Rupert, “The west should not walk into Beijing’s Taiwan trap on chips,” Financial Times, December 12, 2022, <https://www.ft.com/content/2408b289-dbf4-40db-87db-eb272aef68b9>

New Southbound Policy announced in 2016 and increasing political and economic engagement with the US the EU and Japan have already seen closer business ties and enhanced security cooperation in the South China Sea and with Southeast Asian countries, Australia, Japan, the US and some EU Member States. Taiwan's strong will to defend its democracy and maintain its central role in global supply chains, particularly in the electronics and advanced semiconductor sectors have attracted more support from around the world for developing resilient economic partnerships.

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