

## Defense against PRC's 31 incentives

Written by Huang Tien-lin 黃天麟  
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China recently introduced 31 incentives aimed at attracting Taiwanese. Fourteen of these are nothing but old wine in new bottles, but the other 17 are quite new.

Beijing has two reasons for this major move.

First, the incentives are an extension of the two policies aimed at residents in central and southern Taiwan, middle and low-income families, small and medium-sized enterprises, and young people (the “three middles and the youth” policy, 三 middle and youth), as well as the young generation and the grassroots level (the “one generation and one stratum” policy, 一 generation and one stratum). They are aimed at attracting the younger generation who support Taiwanese independence, because that is all they have ever known, and turning them into a pro-unification vanguard.

Second, the incentives are designed to draw a second wave of investment from Taiwan.

Between 1990 and 2016, China's attempt to attract Taiwanese focused on businesspeople and capital investment. It succeeded in drawing in capital worth about US\$900 billion, along with new technologies, making China the largest trading country and the second-largest economy in the world.

However, after Chinese President Xi Jinping (習近平) began to reveal his despotic ambitions, most attempts by Chinese companies to acquire foreign businesses or to bring high-end technologies into China have been prohibited by other countries.

Most recently, Singapore-based Broadcom's attempt to acquire smartphone chipmaker Qualcomm was blocked by US President Donald Trump, because of Broadcom's close relations with China.

Under these circumstances, the only way China would be able to achieve its goal of becoming a technology giant by 2025 would be to recruit high-tech talent from Taiwan and encourage Taiwanese students and researchers to share trade secrets.

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Taiwan would then become key to the outcome of the US-China power struggle and their economic war.

The Taiwanese government must therefore make responding to China's 31 incentives a priority and stand firmly with the West to secure an economic advantage.

I have previously argued ("Taiwan in need of US-like security clearances," March 21, page 8) that the government should raise the national security level by establishing a security clearance system similar to that in the US as soon as possible.

Anyone who has worked, studied or conducted research or business in China should have to undergo a rigorous security clearance review if they return to work in a government institution or sensitive high-tech company.

This would not constitute an infringement on personal freedom. Rather, a review should be regarded as an expression of loyalty to the nation.

By setting up a proper national security clearance system, the government could avoid being accused of "punishing people without first instructing them," as Confucius said, and the public would also learn the importance of national identity.

If the US can do it, there is no reason Taiwan should not be able to.

Such a system should be the first line of defense against China's 31 incentives. If such a security clearance system was already in place, the controversy over the National Taiwan University presidential election would have been resolved long ago.

The second line of defense should be the eight strategies for strengthening Taiwan proposed by

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the Executive Yuan on March 16.

This would be the second line of defense, and not the first, because the eight strategies would be reactive rather than proactive.

To make up for this shortcoming, the government should consider restoring the stock bonus mechanism, which levied taxes on the face value of shares. This would be far more effective than the implementation of sporadic bonus policies. As long as it resulted in the creation of a few unicorn companies, it would result in increased tax revenue.

The third line of defense would be an exercise of state power: amending the Trade Secrets Act (商業秘密法) and having the different ministries impose prohibitive measures, such as the Ministry of Education's plan to bar Taiwanese academics with crucial expertise from participating in Chinese state-funded research programs.

It is important to understand that Taiwan is facing an economic war waged by a country ruled by authoritarian nationalism and which has an economy that is 20 to 30 times bigger than Taiwan's. The ultimate goal of this country is to annex Taiwan.

This is a war far removed from issues of liberalization and internationalization, and without a leader with a vision of national sovereignty, Taiwan will not succeed.

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Translated by Chang Ho-ming

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