

## Resolutions to engage with China

Written by Chang Yan-ting and Paul Chiou 00000000

Wednesday, 12 January 2022 06:44

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As we embark upon a new year, tensions across the Taiwan Strait continue to heighten by the day.

While countries around the world are preoccupied with combating a fresh wave of COVID-19, China is using the opportunity to employ increasingly repressive measures in Hong Kong, Xinjiang — particularly to Turkic Uighurs — and Inner Mongolia.

Meanwhile, the Chinese People's Liberation Army is using every method at its disposal to continue to harass Taiwan, elevating the Taiwan Strait on a par with Ukraine as an issue of primary concern for the international community.

Paradoxically, Taiwan's economic and trade dependence on China has not declined, despite the pandemic and the tense political and military situation.

Due to the wide disparities between the size of Taiwan's and China's respective economies, it is worth exploring in some detail how Taiwan can avoid its overreliance on China's economy becoming a critical liability.

Taiwan's total trade volume with China last year is estimated to exceed US\$300 billion, an increase of 28 percent compared with the previous year, a significantly higher rate of growth than 2020's 13.4 percent.

Last year, exports to China totaled approximately US\$230 billion, while Taiwan imported about US\$70 billion of Chinese goods and services.

Over the past decade, exports to China have consistently accounted for more than 40 percent of Taiwan's total export volume.

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The nation maintains a trade surplus with China of approximately US\$160 billion, which is greater than Taiwan's trade surplus with the US — its second-largest trading partner — of about US\$33 billion.

Contrast this with other economies, such as Japan — which accounts for 10.9 percent of Taiwan's total foreign trade — and the EU — 8.2 percent — and it is clear that there is a lot of room for Taiwan to wean itself off its trade dependence with China.

The thought process of the Chinese Communist Party (CCP) differs utterly from that of the governments of democratic nations. Thus, before engaging with the regime, it is important to understand the logic that underpins the party's decisionmaking.

Practically and logically, it should be possible for Taiwan to resolve any contradictions and conflicts with Beijing through social interaction.

However, the CCP is adept at using seemingly innocuous political tools to advance its “united front” strategy, and psychological and cognitive warfare offensives against its targets, including Taiwan.

The regime consistently uses soft and sharp power, such as culture, education and sports exchanges, as well as media organizations and economic means, to control and manipulate Taiwanese public opinion.

Beijing also harnesses Taiwanese elections as a tool and a “bargaining chip” to influence public opinion by supporting candidates with polarizing agendas, and to continue its military terrorization of the nation.

With the political stalemate showing no signs of a breakthrough, Beijing will intensify its economic influence over Taiwan. Its ongoing program of economic measures — dubbed “incentives” by Beijing — are a means to this end, and are designed to reach directly over the heads of government and appeal to Taiwanese businesses, entrepreneurs, expats and students, fostering a populace of pro-CCP Taiwanese.

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Beijing hopes this will allow China to increasingly constrict Taipei's scope for negotiation.

The CCP's political machinations dictate that it must win over the hearts and minds of Taiwanese by capitalizing on the nation's economic reliance on China by using "united front" tactics or sowing internal division.

Beijing's packages of "Taiwan-friendly economic incentives" have, in the past few years, touched upon a number of policy areas and sought to attract Taiwanese to expand their participation in the development of China's economy and society. This includes encouraging Taiwanese businesses to invest in China, establish high-end manufacturing and other industries in China, or to relocate their headquarters, and research and development centers to China to benefit from a range of tax incentives.

However, China's state-strategic industries are not genuinely open to participation by Taiwanese businesses, not only because the CCP maintains ultimate control of these key sectors, but also because the party wishes to attract more economic resources and investment into the overall construction and development of China's economy.

The Chinese government has always viewed "unification" as the primary task of its Central Leading Group for Taiwan Affairs. It is clear that the CCP's grand strategy is to first "unify" with Taiwan economically, and then "unify" Taiwan politically.

Accordingly, China's overriding goal is to achieve its agenda of "common prosperity" by harvesting investments by Taiwan's large corporations and enterprises.

Taiwanese and the nation's companies alike should conduct thorough assessments prior to investing in China and maintain a high level of vigilance.

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Translated by Edward Jones

Source: [Taipei Times - Editorials 2022/01/12](#)