

Virtual Event | Preserving Peace in the Taiwan Strait

TRANSCRIPT

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A video of the event is available: <https://www.hudson.org/events/2021-virtual-event-preserving-peace-in-the-taiwan-strait102021>

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General H.R. McMaster:

Welcome, everybody. I think we can agree that the Hudson Institute has a great sense of timing. They brought us together to talk about preserving peace in the Taiwan Strait. And of course, it's an important subject because of the growing tensions in the Taiwan Strait, across the Taiwan Strait associated with the Chinese Communist Party and the People's Liberation Army and People's Liberation Army Air Force, in particular, menacing threat toward Taiwan. I think the threats that were made toward Taiwan after the disastrous withdrawal of the United States from Afghanistan and the message that was sent to the Taiwanese, "Hey, do you really think America has your back?" And of course, we've seen countries respond to the growing threat from the Chinese Communist Party here in Washington with the first Quad Summit. This is the coming together of the leaders from Japan, India, Australia, and the United States.

And we've also seen, I think, a strong response as well with the AUKUS, our arrangement now with Australia acquiring nuclear submarines from the United States and in cooperation with the United Kingdom. And so, the question is, are these the actions that are being taken across the free world as a new prime minister comes into leadership in Japan, Prime Minister Kishida? And what are the prospects for preserving peace in the Taiwan Strait? And we have the perfect panel to discuss this topic. And I know that there are many people really across the world who are interested in this.

And first to my left here, we have Lieutenant Colonel retired Mark Stokes, who is the perfect person to talk with us about Chinese People's Liberation Army capabilities and weaknesses. He's the Executive Director of the Project 2049 Institute. He's an expert on Taiwan issues and in particular, the Chinese PLA Rocket Force and Strategic Support Force, the defense industry, military, and political leadership. And of course, Cross-Straits relations, which is the main topic for today. He's a 20-year U.S. Air Force veteran, and he has served as assistant air attaché in the U.S. Embassy in Beijing and Senior Country Director for China and Taiwan in the Office of the Secretary of Defense. After retiring, he also worked in the private sector on Taiwan.

And here to talk with us to assess the Taiwanese military capabilities, as well as maybe the broader coalition capabilities and allied capabilities, is Dr. Scott W. Harold. He's a senior political scientist at the RAND Corporation. He's an affiliate faculty member at the Pardee RAND Graduate School and a member of the Maureen and Mike Mansfield Foundation, U.S.-Japan Network for the Future. Dr. Harold is an expert on foreign and defense policies of China, Japan, North and South Korea, and Taiwan. He previously worked at the Brookings Institution's John L. Thornton China Center, and currently teaches at Columbia University where he's taught East Asian security and Chinese politics. And he's been tracking the situation in the Taiwan Strait, across the Taiwan Strait since the mid-1990s. Great to have you here, Scott.

And then batting clean-up in these initial presentations that you'll hear is Dr. Patrick Cronin, an old friend and great scholar on Asia Pacific security. He is the Asia-Pacific Security Chair here at the Hudson Institute. Dr. Cronin is an expert on foreign and national security policies across the Indo-Pacific region. And I think we'll call on him to place the first two presentations in context of the regional security dynamics. He's worked on China's total competition campaign, the future of the Korean peninsula and strengthening U.S. alliances and partnerships. Previously, he was Senior Advisor and Senior Director of Asia-Pacific Security Program at the Center for a New American Security, and Senior Director of the INSS at the National Defense University, overseeing the center for the study of Chinese military affairs. So Mark, I'll turn it over to you first.

Mark Stokes:

Mm-hmm.

General H.R. McMaster:

And I know that our viewers are anxious to hear how you see the threat to peace across the Taiwan Strait.

Mark Stokes:

Thank you very much, sir. I'd also like to express appreciation for Hudson Institute for inviting me and also to my fellow panelists here. It's an honor and pleasure to be here to talk about one of my favorite subjects. As General McMaster mentioned, I was in Beijing for three years and focused mostly on Rocket Force and to some extent, command control, communicate in space, and to some extent, command control communications and ISR sorts of issues. Looking at the challenge that authorities in Beijing posed to Taiwan, and the United States for that matter, and Japan and the region as a whole, you can look at military action in two different categories, two different ways. One is invasion. Invasion is generally viewed as somewhat annihilative in nature in the sense of no political preconditions. You take the uncertainties and the political aspects out of the equation.

[Invasion would be to] go in and impose your will upon a vanquished small population, without necessarily [offering] preconditions. Coercion is a bit different. Coercion is where you do have political preconditions, defined as basically where your opponent decides to seed, even though he or she has the power to resist. So there's two different... Coercion, there's a model for coercion. This used to be big in the Air Force a long time ago. I don't know if it still is or not. But coercion, generally you have a particular action or a desired instate. You have an action, and in-between, a mechanism. So interpret, for example, the flights that have been going on in the Taiwan Air Defense Identification zone that have penetrated that. Using this model, you have the action, and then you have to guess what the end state is. What exactly are they're trying to do? Is it trying to coerce the inside administration to concede on some sort of One China principle, perhaps? So the so-called '92 Consensus or what Beijing's immediate goal is in conducting these flights.

So with that in mind, looking at what exactly is Beijing's end state with regard to Taiwan? Is it annihilation or is it coercion, for example? Is it to achieve, in some form or fashion, a "One Country, Two Systems" formula? In which there's one China, Taiwan's a part of China, and Beijing, or the PRC, is the sole representative of China in the international community? So if their goals are limited to enforcing some sort of a one country, two systems solution, then naturally it leads toward a course of solution. How are these decisions made? So decision-making in Beijing is another area that I think warrants some attention, and also looking at command and control. If there was an operation that's directed against Taiwan, our other neighbor, you're going to have a command-and-control structure. Notionally, it would be the Central Military Commission (CMC).

What the involvement is of civilians is not exactly sure, simply meaning that's the Politburo, the Politburo standing committee. But once a decision is made to use force against Taiwan, whether it's course of our knowledge. You're going to have a significant role by the Eastern Theater Command as well. Under the CMC, lots of forces that are going to be there. Strategic Support Force providing critical ISR and space launch capabilities. ISR, but also non-kinetic forms of attack, whether it's cyber or electromagnetic. But the PLA has made significant progress over the years in all domains of warfighting. And that includes air, ground, navy, space, as well as the cyber domain. And arguably, I think it's still being debated these days, but the electromagnetic spectrum is emerging as a significant area of competition. This is outlined last year, and I believe Secretary of Defense came out with a report on electromagnetic spectrum superiority and made a, what I thought, was a very significant announcement. And that's that the U.S. is potentially losing its traditional superiority it's enjoyed in this area.

If you lose dominance of the electromagnetic spectrum, you're pretty assured that you're going to lose an advantage in all other domains of warfighting. Electromagnetic spectrum, probably one of the most... Oftentimes it's conflated with cyber, but it's related, but separate. Beijing has taken steps to be able to really emphasize and bring together the bureaucracy and the PLA to be able to take steps toward achieving some degree of superiority and electromagnetic spectrum. What that means is that if the United States is trying to deploy, for example, an aircraft carrier battle group, or two or three to the area, they have to communicate. They have to be able to use either satellite or [High Frequency] sort of means of communication.

But if they're investing in the resource to be able to jam these sorts of capabilities, it's going to be very difficult for the United States to intervene. So this, naturally, is an area of emphasis in the PLA that's often ignored. Other areas that they've gotten a lot of attention, all the way from amphibious lift to other things. So there's a lot to chew on in terms of PLA capabilities. In terms of Taiwan and implications for Taiwan in the United States, to me, it makes a significant difference over Taiwan's investments. If you look at things from an amphibious invasion perspective, as opposed to a counter coercive perspective, you're probably going to come up with some different conclusions in terms of what Taiwan requires. But I'll leave this to the next panelist.

General H.R. McMaster:

Great.

Mark Stokes:

And I'll stop there. Turn it back over to you, sir.

General H.R. McMaster:

Great. Scott, if you could place maybe some of those capabilities in context. Mark, what you described is our significant range of capabilities that the PLA developed. But it's not an easy problem from, as you called it, annihilation perspective, right? I mean, Taiwan is the size of the state of Maryland. It's mountainous in the east and the population is concentrated in the west. There aren't great landing sites. It's about 150 miles across the Strait, not an insignificant military problem. Right? So Scott, what's your assessment in terms of the danger of the annihilation sort of scenario that Mark's talking about? But also your assessment maybe of Taiwan's ability to defend itself against these courses of measures that we're seeing already?

Scott W. Harold:

Yeah. First, thank you, H.R. and thanks to Hudson for the opportunity to come and talk with these panelists who are colleagues, friends, and really have informed a lot of my own education on this subject. I think that Taiwan is trying to balance its ability to defend against coercion and its ability to defend against a more substantial outright invasion threat. Most of my remarks will focus on the invasion prospect. However, Taiwan also clearly is trying to stay in the realm of deterring and defeating coercion. I'll make four big points. First, for the counter-invasion problem, Taiwan does enjoy, as you started to lay out there H.R., enormous natural and social advantages that if properly leveraged can potentially help but defeat PLA coercion. And China is aware of this and is looking to overcome the need to defeat an opposed force or to conduct an opposed force amphibious invasion and airborne assault.

And at the same time, China's recognition that it is facing a major challenge in conducting such an operation means that they're probably going to try other things first. Meaning psychological operations, meaning domestic subversion, meaning gray-zone coercion. And so for Taiwan, they really have to face a

full spectrum from peacetime subversion to gray-zone coercion to an outright invasion. Third, although it has taken a number of very positive steps including increasing its defense budget and articulating an overall defense concept that's much more asymmetric, survivable, resilient, and lethal. Nonetheless, I would say Taiwan is not yet matching the pace of the evolving China military threat and it needs to do much more, much faster. Finally, my fourth point, the good news is that Taiwan's position is by no means hopeless if it has the capacity and the will to resist, which I believe it does, it has partners that recognize the importance of its security, which is tied up with their own, and there are operational concepts, policy shifts and specific capabilities that have fielded and readied in time present Taiwan a very good opportunity to deter and, if necessary, defeat a Chinese invasion.

So let me go through each of those four and unpack them just a little bit briefly. First, just as you started to lay out, H.R., Taiwan has a number of advantages. It's a hundred miles across the Taiwan strait from China, and those waters are often rough and choppy. And there are a lot of storms that go through there and that makes it extremely complicated. Narrowing the window from 365 days out of a year to just a few months of each year when China has an opportunity to conduct an amphibious invasion. Second, there are a number of small islands that Taiwan controls before China would get to the main island of Taiwan.

Each of those is reinforced and fields capabilities that China has to decide, is it going to envelop and move past? Or is it going to, if it does that, pose a risk that it might be attrited or targeted from behind, catching fire from both oncoming forces and forces it has tried to bypass? Third, as you noted, there are a series of beaches in Taiwan, but there are not many. And most of them are not ideal for landing on in an amphibious invasion scenario. Of course, Taiwan is a highly urbanized terrain, meaning that it's basically built right up to the coast. So as soon as Beijing tries to push on shore, it is either pushing across mud flats and rice patty, which is not ideal for heavy vehicles. Or it is pushing into urban terrain, something that unfortunately, H.R., you and your soldiers know is extremely dangerous and difficult to do and China has no experience with.

And on the east coast, as you noted, there are very high mountain cliffs, which really will pose a problem for trying to come around from the east side of the island. And finally, there are the defenders in Taiwan who have spent the last 70 years preparing to defeat a Chinese assault. Second, let's talk about the risks. The PRC is trying to infiltrate and leverage opposition parties, uncivil society groups, meaning like the mafia, using united front tactics. It's trying to weaponize Taiwan's private businesses. It's trying to use Taiwan's media market. It's trying to attack Taiwanese society using social media disinformation campaigns. And it's certainly using cyber. Those are areas Taiwan needs to get an additional purchase on, if it wants to defeat the coercion that would proceed any outright invasion. The PRC has been and will continue to use psychological warfare intended to intimidate Taiwanese society and convince that their resistance is futile and that they will be fighting alone for nothing.

And finally, the PRC has suggested that a breakdown in social order could be the prompt that it calls for Chinese intervention to help protect Taiwanese compatriots. Kind of a, we'll create a disturbance and then use that to justify our invasion. So that intervention by invitation is something that Taiwan needs to be prepared to counter. Taiwan's response, let me talk about it briefly. It has been professionalizing its armed forces and shifting away from conscripts to volunteers, people who are more committed for the long-term and people who will be there to acquire the skills to operate more advanced platforms and fight in an integrated joint fashion.

However, that's costly and it's taking resources away from other opportunities to modernize Taiwan's defense forces. Taiwan has fielded a very capable quiver of anti-ship cruise missiles, short range ballistic missiles, air launch cruise missiles, and including land attack cruise missiles of long enough range to strike targets deep inside China that has some deterrent capacity.

It continues to buy large amounts of U.S. military hardware. For example, \$5.1 billion in 2020. Already a \$750 million package has been announced this year. And some of those systems are very useful for countering an invasion. Things like SLAM-ERs, a HIMARS system tactical weapons to try to defeat the invasion drones, self-propelled howitzers. Things that would be very useful for targeting the PLA if it starts to pile up near Taiwan shore slow down and become very vulnerable as they need to offload forces to try to establish a beachhead.

In 2018, Taiwan established a new overall defense concept. That's shifted much more aggressively towards a more asymmetric, resilient, and lethal posture that would preserve the ability to continue to threaten PLA forces even after an initial strike. The goal being to present Xi Jinping and his colleagues with an uncertainty that they can achieve what Beijing almost certainly wants in a true outright invasion scenario. And that is accomplished before the United States, Japan and others can intervene.

But I will warn the overall defense concept seems to have fallen off a bit. It's still articulated some, but since its chief proponent, Admiral Lee Hsi-ming stepped away a couple of years ago, the ODC, or overall defense concept, doesn't seem to be getting quite the same attention and emphasis. Although it's still officially policy and Taiwan is not really moving at speed in this direction.

My final comments, China's approach, as Mark knows, will be fast and furious, and it will definitely target networks and command and control. Taiwan, unfortunately, is a country that has had severe problems with continuity of government and risks to its senior decision makers. Many of you will remember that in 2004, the then president, Chen Shui-bian and his vice-president, Annette Lu Hsiu-lien were almost jointly assassinated by one single assassin.

There have been numerous other incidents since that time that suggested that Taiwan's VIP protection protocols may not be sufficient. And there are questions about what happens if the top layer is shaved off, which will be one thing Beijing is certainly trying to do, which is to decapitate the regime. There needs to be increased social resilience and determination among the population, including messaging from senior government officials and opposition parties, which should not always paint the senior officials as incompetent traders.

Moreover, there needs to be a way, and RAND has done some research on this to emphasize the importance of the Reserve Forces, which would be stepping up and prevent the collapse of the Taiwan Armed Forces, if the initial wave hurts Taiwan's military very badly. Taiwan's 23.5 million people are almost certainly willing to struggle for their freedom against China. They've already struggled for their freedom against dictators in Taiwan who came from China. I fully believe they would be willing to do that again. And they have many reasons to be confident about their future.

What that tells me is, as I look at Taiwan, the United States and the people of Taiwan have great reason to have confidence in Taiwan and to know that whatever the global times or other Chinese propaganda outlets say, Taiwan is not Afghanistan and the Afghan national government. However, if I switch to sit where Mark was sitting in Beijing, I do have to be worried that Taiwan might be the Taliban, a force willing to fight and endure hardship to expel an invader. And in that case, Beijing, which possesses a military far less capable than the United States military, and which does not enjoy the support of its people, could be facing a long-term insurgency from a Taiwan Armed Forces and populous that have long trained to resist Chinese military coercion.

And so for that reason, I'll just close with a sense of optimism that Taiwan does have the ability to deter and defeat Chinese aggression. And we can talk a little bit later if there's an interest, H.R., in the kinds of support that the United States, Japan and others might be offering. But first I'll turn it over to Patrick since I'm sure you'll touch on those.

Patrick Cronin:

Well, not only does China have to worry about Taiwan, but they're going to have to really worry about the U.S.-Japan alliance. H.R., I want to just talk about the U.S.-Japan alliance, because the alliance stands against coercion. So even if China stays with coercion before it tries to leap to kinetic force or conventional strategy sometime maybe this decade or beyond, it still has to make a calculation about U.S.-Japan capabilities and political will. And there's a lot for China to worry about, in my estimation.

If you just think about the past year, how much more vocal Japan has become about the Taiwan Strait scenario, the defense minister, the defense white paper, the deputy prime minister, have all been very clear that Taiwan is part of the vital interest of Japan. And that's because they see Taiwan security as inextricably linked to the territorial sovereignty of Japan.

If you think about Camp Yonaguni, and if I visited Camp Yonaguni, it's a hundred miles away to Taipei. That cross straight distance is the same as to Camp Yonaguni, is the other cross strait that China has to worry about, because it's what joins really the connectivity in that Southwest Island chain, where in the center of that Southwest Island chain is Okinawa. Yeah. That's III MEF territory. That's where next month, the Izumo, this heavy helicopter carrier, really an amphibious arm ship, it's going to have F-35Bs operated by the U.S. Marine Corps. You're in Beijing, you're thinking, this is going to be a cakewalk? I don't think so. There's a lot to think about.

But it's the U.S.-Japan alliance that stands for peace. So what we're trying to do is preserve peace and resist coercion. That's an easier task than saying, "Hey, let's completely occupy a democratic people and force them forever, not to think about democracy again." I think it's China's deviation from the global rules and regional norms, the use of coercion, in fact, that is what's driving, not just the U.S.-Japan, but U.S.-Japan and many of their partners together.

I just want to talk briefly about some of the defense activities of Japan in the United States, because I think this is, again, part of what China has to think about. Not only has Japan been steadily normalizing, trying to deregulate and effect the constraints that were imposed on it after World War II. Some of this legally, politically, still has ways to go. And yet it's easier now for Japan to start taking on additional roles and missions to match some of the very, very advanced technology capabilities they're adding.

If you just look at the 2021 Ministry of Defense Japan white paper, and I encourage everybody, it's in English as well as Japanese. A 500 plus pages, well-illustrated, including by the samurai warrior on the front. It sort of enumerates the equipment purchases over the last five or six years. Incredible, what advanced technology Japan is introducing. Including things like a new destroyer with Aegis system, co-developed with the Standard Missile-3 Block IIA. It's got integrated air and missile defenses are part of this.

The air power is incredible. I mentioned more than a hundred F-35s, including the F-35B for deployment on ships. Advanced technologies including things like lithium-ion battery technology. That becomes important because it means the diesel submarines that Japan is so excellent at already that are very quiet, now can stay underwater at higher speeds than any other submarine in this area. Very stealthy. Very interesting.

Then you start to think about what the United States and the UK and Australia are just talking about doing in the long-term with SSNs in the wider region. China has got a lot to think about now and into the future on these issues. And the exercises that Japan is undertaking. The Maritime Self-defense Force, the Air Self-defense Force are doing exercises that we never saw before.

So in the last couple of years, we've seen them exercise with the U.S. Air Force with bombers. We've seen them operate with a Maritime Self-defense Force carrier with a Ronald Reagan [carrier] in the

South China Sea. So in the East China Sea, the South China Sea, around Okinawa, they've been conducting realistic exercises. These are not simulations. These are real.

And the U.S. policy is girded by the fact that Japan is home to 50,000 U.S. forces. We have 50,000 U.S. troops in the region, thanks to Japan. And they are increasingly operated together, joint based, doing these realistic exercises with new mechanisms for coordinating operations, not just planning and policy, but actual operational coordination is going on in a way that it didn't happen before, including on scenarios that deal with Taiwan.

In the MOD white paper, again, just to say, this is an important document about transparency, about what the alliance is doing. But you won't find the same thing about China and what they're doing in their white paper, much thinner. But they talk about Okinawa, for instance, being critical because of the Taiwan Strait scenario, as well as North Korea. It's at the center of the Southwestern Island chain, they point out. And they also point out that it is the target. It's China's target. This is why Japan has been pushing over the past decade plus to strengthen this area. And why the U.S.-Japan alliance and the gravitational pull of this is growing.

I just want to end with a couple of thoughts about China, from my perspective, and from the perspective of the alliance. Xi Jinping claims that Taiwan's unification is a requirement for China's rejuvenation. Nonsense. China has been a great power. It is a great power. It's achieved amazing things, and it hasn't needed Taiwan. It doesn't need to suffocate democracy in Taiwan to prove that it's great.

One, we have to call that out. That's just not true. That may be why he hasn't actually set a timetable for jumping from coercion to some kind of use of conventional power to occupy or to seize the country and to take it over, because that is a big leap, and it's not even necessary, unless, of course, Xi Jinping starts to believe that he is now an agent of history, and that this is now so emboldened by his own propaganda or what the military might be telling him, and what those war games unfortunately keep hinting at, which is China's getting better and better and better at these war games.

And we know from some of the war games, for instance, that if China were to start to introduce unmanned, uncrewed vehicles under sea and in the air, they could knock out our carrier battle groups, and they could degrade the defense forces of Taiwan over a few days. And those are the scenarios that have a lot of people concerned about why this happens.

And that's why Admiral Davidson, the former commander at U.S. Indo-Pacific command is now famous for the "Davidson window." That by 2027, ostensibly at the end of a third five-year term as general secretary of the Chinese communist party, Xi Jinping may think, "ah, the military balance is now more in my favor. This is my chance for history and legacy. Maybe the Americans are more diverted. Maybe the alliance is somehow weakened or otherwise focused. This is the chance. Let's now do that Maoist, counter offensive. I've been in active defense. I've been defensive all along. This is the moment when I go from not trying to reconcile differences to resolving the problem." And that's the concern. So we have to be ready. The United States, Japan, obviously the Taiwanese, and the international community, for that kind of miscalculation on the part of Xi Jinping and the Chinese.

I think we can do that with strong deterrence, with strong, clear messaging, with open channels of communication to the Chinese, with helping Taiwan in all the ways that they need, including the overall defense concept, frankly, which maybe one very minor end of it, it's not the high technology, it's more civil defense. It's that kind of, we will be indigestible. If you swallow us, you will have a democratic bomb go off in China for decades to come. So you will win the battle and lose the war, Xi Jinping. You do not want to do that. And I think that should give Beijing pause over trying to go beyond what they're doing already, which is stirring things up, harassing, political warfare, coercion. We can all live with that.

General H.R. McMaster:

Yeah. I just want to maybe go back a little bit to Mark's question upfront, what does China want? Because I think it ties into your remarks as well, Patrick, and I think it's Taiwan success, isn't it, that really irritates the hell of the Chinese Communist Party because it exposes the lie that the Chinese people are somehow culturally predisposed toward not wanting a say in how they're governed.

And of course we've seen the party's obsession with extending and tightening its exclusive grip on power internally, with all the purges internally. But of course the extension of the parties were oppressive arm into Hong Kong. A campaign of genocide against the Uighurs in Xinjiang. And of course the narrative that accompanies this idea of national rejuvenation is associated with making China whole again, and then, as really Taiwan is the target of that, as the first step, I think, in establishing exclusionary areas of primacy across the Indo-Pacific region and isolating China's main regional rival which is Japan, right? I think, this is how I see this, what China wants, the Chinese Communist Party, wants to extend and tighten its exclusive grip on power, but then also really wants to gain a position of preponderant power across the Indo-Pacific, as it challenges the United States and the free world globally as well. I would welcome any thoughts on that on what China wants.

Then also, I think a lot of our viewers kind of want to know, what do you think the danger is? What is your percentage of the likelihood of an intensification of the course of campaign or an attack? A lot of people have talked about 2022, next year, being pivotal because of the Chinese Communist Party Congress and the Beijing Olympics being over, as a period where the danger increases. What are your thoughts on that? What does China want and how do you see the danger of even more aggressive action by the party's leadership and the PLA?

Mark Stokes:

I can give an initial attempt to answer your questions. Starting off with what does China want? I have an opinion, I don't know if it's correct or not, I don't have insights into the standing committee or central military commission, but when you look at history, you find that there's a competition that's been going on between the Communist Party and authorities that are now on Taiwan, whether it's KMT or DPP, for that matter. It's my impression, they view things as zero sum game in the sense of legitimacy. It's a competition over legitimacy. When you look at it, the ROC, Republic of China, I don't think it matters if it's KMT or DPP, but the ROC, just simply its existence, poses a challenge to the legitimacy of the Chinese Communist Party.

Because there you have, if you are adherent to a One China Policy or One China Principle, from the KMT perspective, there's one China and that one China is the ROC. You have an existence that poses a challenge to the CCP legitimacy. What kind of message does that send Chinese people? It makes their life easier, if at a minimum, there was a subordination.

If there was no ROC, or was no Taiwan government in general, and especially, the U.S. The last comment on One Country, Two Systems. One China, Taiwan as part of China, PRC still representative of China international community, that naturally leads toward this zero-sum game being played out in Washington, DC. A lot of it has to do with our policies. If you look and try to get a sense of what their goal is in dealings with the U.S., They may look at situation as satisfactory now. There's no movement really in the U.S to do much to normalize, move toward more normal, stable, and constructive relationship with the ROC which can be done under a One China policy. There's nothing inconsistent between having a One China policy and moving toward a more normal, stable, and constructive relationship with Taiwan. I think that's something that Beijing fears the most.

Scott W. Harold:

Yeah, I'll just add, I think Mark covered a lot of it, but I think there's a risk for Beijing. It has survived, as Patrick said, very clearly it has survived and finally thrived from the 1978 period to the present when it took its foot off the neck of the Chinese people. It has not needed to possess Taiwan in order to make those accomplishments. In fact, the effort to grasp Taiwan has pushed back against China's inclusion in the world, the respect that people have for the Chinese people's accomplishments in the world. I'm not a hundred percent sure that Taiwan as a democratic exemplar poses that much risk to Beijing. If you look at China's control domestically, there are not people out in the street chanting, saying, you know, look what Taiwan can do. How come we can't have that? That has not been the case.

For many in Taiwan, although I know you mean it certainly from a place of good faith, H.R., but for many in Taiwan, when Taiwan is said to be proof that Chinese people can have democracy, well, many people in Taiwan do not themselves identify first and foremost as Chinese. When outsiders think, well, you know, Chinese people in China, Chinese people in Taiwan, look at Taiwan, it's a Chinese democracy. Many people in Taiwan would say, we're Taiwanese. We have our own history, we have our own experience, we struggled against a regime that came from China, and please don't call us Chinese. Now, there are very many people in Taiwan who would also say, what are you talking about? Of course, we're Chinese. That's a part of Taiwan's domestic debate. China watches that debate very closely and can see that over time, the window of people accepting their Chinese identity is, or the volume of people, has shrunk enormously.

That would come back to a question of, if they want Taiwan, not because it's part of China historically, or it's somehow important for the regime, but for geostrategic reasons and if they think we need to have a partner in Taiwan who can smooth the way, who can facilitate, who can justify, that could be a window that's closing. That could drive the regime in Beijing to make a calculus, that whether the timelines for geopolitical and military technologies are working for or against us, the geopolitical cross straight situation may be pushing or incentivizing Xi Jinping to act for reasons, that from the outside you might say, just keep waiting. The growth of China's economic power, the growth of China's diplomatic power, will ultimately create a situation where Taiwan will have to come to some modus vivendi, potentially, potentially not.

Patrick Cronin:

Let's go back to early 1949, H.R., you'll like this as a historian. Chiang Kai-shek is going to make Shanghai his China's Stalingrad. Stalin tells Mao, hold up, don't cross the Yangtze River. Mao doesn't listen, he wants to go after those nationalists and drives them, by the end of the year, of course, to Taiwan. Then, he's thwarted in terms of trying to pursue that for a lot of reasons. It's not until Deng Xiaoping comes along and recognizes that even though U.S. and China are really divided over this Taiwan issue, it's the biggest issue, he said, the biggest impediment to better relations. He puts it to the side. China rises and does very well. Now, Xi Jinping, for whatever reason has reset the clock. This week we have fighter aircraft flooding the air defense identification zone of Taiwan.

That's not improving China's image as law-abiding, peace loving, trustworthy, make a deal with us, we're really reliable. All of those things are hurting China. China needs to rediscover the magic of Deng Xiaoping, frankly. That they can make a compromise and buy some time on this because this is undermining peace and security in the most important region in the world, I would argue. China doesn't need to go there. The question is, will they? That was your question. My guess is right now, no, it's coercion for the moment. Let's test the Americans, the Japanese, the Taiwan government, maybe the next Taiwan government, about strategic stability. How much do they prize strategic stability? Last point here is I'm thinking about the conversations that the [Joint Chiefs of Staff] Chairman General Milley had with the Chinese counterparts in October and January of the past year and what drove the Chairman

and the process of those conversations to happen, it was process, it was all part of a deliberate process to deescalate.

If tensions are rising with China, find ways to deescalate the tensions and China knows that. China manipulates that. Now, it doesn't mean they're not also concerned, but they're clearly manipulating this as well. That's because they're trying to tell us, Washington in particular, you are going to lose strategic stability in this vital region if you don't make concessions and compromise and put pressure on your friends in Taipei and pressure on your friends in the region. We have to resist those pressures and see more realistically how China is constrained by so many realities and the high, high risk that they would entail in going beyond a coercion campaign.

General H.R. McMaster:

We haven't talked very much about the economic dimension of this and the degree to which maybe the problems that China's encountering now, financially in the real estate sector with Evergrande, the pressure on Xi Jinping to really meet the rising expectations of the Chinese people and to try to ensure that China can grow rich before it grows old, for example, and the degree to which the artificially high economic growth over the years has been based on really a model that may be fundamentally flawed. I mean, there have been many, of course, who have been predicting the economic demise of China because of the party's state control, the tendency to make decisions based on what will help it maintain its grip on power, rather than what will get a return on investment, or making decisions for strategic purposes under One Belt One Road, for example, and the vast investments that also don't get a return on investment.

Of course, I think the United States is much more aware of the economic dimensions of the competition. You see the various actions that the Biden Administration has taken, in addition to those that the Trump Administration took to restrict Chinese companies from listing on U.S. exchanges if they don't meet the reporting requirements. The invigoration of the Committee on Foreign Investment in the United States, kind of reverse CFIUS in terms of monitoring investments in Chinese companies, especially those that are associated with the defense industry or associated with genocidal campaigns and perfecting their police state.

There's really a lot happening economically that affects the United States, but the whole region and Taiwan is right in the middle of that because of Taiwan's interconnectedness with the Chinese economy like ours is and also the criticality of certain supply chains, especially semiconductors, right? I wonder if each of you might just make some observations on the economic dimensions of the competition, your assessment of what's ahead for China and what the implications are for the United States, Taiwan, Japan, and really, the EU, others who are competing with an authoritarian regime, the Chinese Community Party, but doing so in an unprecedented way, especially the degree to which our economies are intertwined.

Mark Stokes:

That's an excellent question, sir. The first part of it is looking at China's economic interest. I would ask the question of, what percentage of China's overall GDP could be attributed to Taiwanese invested enterprises? For example, Taiwanese investment. When you have, I have no idea how much, I don't think anybody does know the exact number, because a lot of the Hong Kong investment in China is attributed just to Hong Kong but actually it's Taiwan as well. What percentage of their GDP could you attribute to Taiwanese invested enterprises? If you look at, for example, high tech, things that are classified as high tech that are coming out of China, I think on the records they're attributed as being a Chinese... made in China, but actually, pretty good chance when you go into Best Buy most of the products that you see that say, made in China, are actually made by a Taiwanese factory in China.

Going back to the invasion, you're pretty much destroying whatever Taiwan is producing there, but also looking at the number of Taiwanese invested enterprises in China, how many Chinese do they employ? One company by itself [crosstalk], 5 million or something like that? [crosstalk] first, direct employees, 20 million. That's equal to the urban unemployment rate in China. If something happens at a certain point, you're going to see suddenly, a massive unemployment. It's the first thing you would see because people aren't going to get paid. Then, that doesn't even take into account the second order effects. You're looking at Jiangsu and Zhejiang being some of the most wealthiest provinces in Shanghai City, wealthiest areas.

A lot of that... the percentage there of Taiwanese investment is going to be significant. The money they earn from exports, the processing and all the duties that come in. That's one of the factors that's going to, I think, be at play. On the semiconductor thing and the supply chain, let's look at military specifically. There's a lot coming out from Congress outlining how there's this uncertainty about where our semiconductors come from. Integrated circuits that go on our weapon systems.

General H.R. McMaster:

This is part of the supply chain review that's ongoing by the Pentagon and across government. Then, much of the remedies associated with the frailty of that supply chain are in the Chips Act which is about to pass Congress. But... go ahead, go ahead.

Mark Stokes:

Along these lines, in terms of the structure of U.S.-Taiwan defense relations, in terms of addressing some of the supply chain issues, Japan could be viewed as a model. In the U.S.-Japan relationship, defense industry and defense technology are considered to be a bedrock, it's a key part of it. I'm just curious why we don't have it with Taiwan. Taiwan's different because in the U.S. mentality it's FMS. Without looking at much-

General H.R. McMaster:

That's foreign military sales?

Mark Stokes:

Yes, yes sir. Foreign military sales. Without looking at, maybe if we had a senior-level, bilateral working group on things like supply chain security and defense industrial cooperation modeled after Japan, then maybe we would be able to leverage how Taiwan could help us and turn the relationship into more of a partnership by getting a better handle on things like supply chains for military systems in particular.

General H.R. McMaster:

Right. You see an example of this kind of cooperation with Taiwan, or TSMC, their semiconductor producer, building a fab in Phoenix. In part to make that critical supply chain more resilient, for defense purposes, but also as we see with the shortage of automobiles now, for example, for really essential to economic growth and vitality as well.

Scott W. Harold:

Yeah, I think that resilience that is not exclusively military, but broader associates, societal and economic, is certainly part of the Taiwan story for how Taiwan plans to resist Chinese coercion. So Mark, you referenced how many businesses that Taiwan has. I think it's roughly 200,000 businesses in China. Roughly, I think 3 million Taiwanese spend much of their year in China, so 15% of their population,

roughly and of course they employ large numbers of PRC nationals. Something RAND did a study on about 15 years ago was how hard it would be for China to weaponize its economy against Taiwan. That was at a time when trade was mainly bilateral, both no investment from China into Taiwan. Today It's a different story, but clearly Taiwan has recognized that there are major challenges with that growing connection to China, economically across the strait. They've taken a number of steps.

President Tsai has pushed a new southbound policy to try to diversify Taiwan's economy away from over-reliance on China, giving China too much influence, too many levers to pull on. Second, Taiwan has sought recently to join the transpacific or the Comprehensive and Progressive agreement on a Transpacific Partnership, CPTPP something that clearly Taiwanese, Japanese, and other nationals have said, we hope the U.S. will consider returning to.

General H.R. McMaster:

You saw Kishida-san's statement as the new Japanese prime minister, also supportive of Taiwan joining.

Scott W. Harold:

Yeah, certainly. Finally there is a, I think, a very clear interest from the Taiwan side, in trying to get a free trade agreement with the United States. You may remember last year Taiwan lifted some of the constraints on import of pork made with ractopamine, a growth hormone, that we use regularly in the United States, but then in Taiwan, some Taiwanese regard as either threatening to their industry interests, meaning that Taiwan farmers don't use ractopamine or I think, incorrectly, worry about its health impact. Taiwan is trying to diversify its economy away from that reliance on China and that kind of investment in the United States, in critical supply chain issues, like TSMC semiconductors, is another way that they're trying to do that.

Patrick Cronin:

Well, I would certainly agree with everybody on the panel about what we can do with Taiwan, with allies, about closer technology partnership and trade agreement, as well as helping their southbound policy. There's a new report of the Global Taiwan Institute this week, has a raft of good ideas about this. Let me go back to your bigger question though, about the economic model of China and just take a whack at that because I think that is very important. What we're seeing with the Evergrande real estate development near insolvency, is that China's growth has been heavily dependent on real estate, in unprecedented ways. According to one study recently, 50% of the GDP growth of China since the 2008 global financial crisis, half of all of their growth is related to real estate and that's real estate, including these Evergrande structures that were collapsed before they were ever occupied because there's so much toxic debt involved.

It's this debt model, this capitalist debt model, if you will, that China has profited from. Xi's trying to reign it in. Okay. Well, if that's what got you rich and you're going to take away the engine of your economic growth and that's already failing, how are you going to do that? Right now you want tighter political control for your own political reasons and for the party survival, as you pointed out H.R. They have now a narrower tight rope to walk, in my view, about how they sustain the economic growth, even next year, in the next five years. Now that doesn't mean they're automatically deterred from taking aggressive action. In fact, in some ways, they may say, hey, we're at peak China. This is the time to finally reclaim our national land. There's no guarantee that this adds to peace, but it does constrain the economy of China. We no longer should think of linear Chinese economic growth.

I think the big question here is that, is the balance of power shifting away from China in the region again? If so, we should all have pause and I don't want to overstate it, but I think there's reason to just

ask questions about, we really don't know the future and we shouldn't make these grand assumptions about China just automatically and the Taiwan will have to become part of it and make that concession. I think Taiwan, people have something to say about this.

General H.R. McMaster:

I do think that this is exposing this real estate crisis in China, some of the frailties and then also the degree to which we've been underwriting, in many ways, potentially our own demise with investments into China, that are often covering for many of their bad bets or the bets that they make for strategic purposes. I'm thinking of this BlackRock fund, for example, that was just recently announced, that I think is maybe counterproductive in connection with the strategic dimension of the competition with China.

Patrick, I'd like to just pick up on your point about the region broadly and the points that all of you made about Taiwan and the south strategy. How do you see the influence of China shifting in a way that could be beneficial to Taiwan security, given the actions of the Chinese communist party broadly, since we've experienced the COVID-19 pandemic? I'm really talking about the suppression of human-to-human transmission and persecuting those that were trying to ring the alarm bells, the adding insult to injury of "Wolf Warrior" diplomacy, the extension of the Party's repressive arm into Hong Kong, hostage-taking as a norm for the Chinese Communist Party, as well as the continuation of the campaign of genocide in Xinjiang, the economic coercion of Australia, the bludgeoning of Indian soldiers to death on the Himalayan frontier, the weaponization of the islands in the South China Sea, ramming and sinking a Vietnamese vessel. You could go on. I think we ought to send Xi Jinping some flowers and chocolates and say, thank you for clarifying the nature of this competition.

There are oftentimes discussions here about, is this a choice that we're forcing countries to make between Washington and Beijing? I think it's becoming more clear. It's really a choice between sovereignty and servitude, but how do you see the regional dynamics? How do you see the regions perception? I'm talking about the ASEAN countries and others, shifting and is that an opportunity to compete more effectively with China and to bolster the security of Taiwan?

Patrick Cronin:

Well, I've argued recently that there's an emerging new security architecture in Asia and we have to start with the foundations of institutions that exist in the region now. In Southeast Asia, it is the Association of Southeast Asian Nations, ASEAN because they not only helped bring together those 10 countries, but they provided an inclusive platform for China and the United States and India and Australia and others, to deal with each other as well, through the East Asia Summit, for instance and also through the ASEAN Regional Forum. Those platforms though are not deterring the aggression of coercion that we see in the South China Sea, the East China Sea and Taiwan fields every day. That's why ASEAN needs help and they're getting help. They're getting lots of help, not only through countries like Japan working with new partners, but also the quad. The quadrilateral security dialogue, although not about defense and hard security, it's creating the new expectation of the operating system, as Kurt Campbell would have called it, in [The Pivot: The Future of American Statecraft in Asia], his book, on explaining the need for the United States to take on a bigger role in the Pacific and bring countries together to defend a rules-based system.

That's what we're talking about. That gives license then for these mini-lateral, often alliance based, but also beyond alliances, activities on defense to deter aggression and coercion. Australia is a United States agreement, including on the submarine deal, is kind of a poster child of how hard deterrence can come out of these little mini lateral agreements from three countries, yes, both allies of the United States, willing to really take up the hard military edge and let all the others, ASEAN, deal with soft power, deal with norms, deal with rules, bring people together, including keep the communications open with China.

Find areas of cooperation with China. We've got to find common ground on dealing with climate change. It shouldn't be a concession to China for them to deal with the fact that the planet is possibly going to burn up. This is something that they have to do for their own people too.

Scott W. Harold:

I'll just add to that. I think Patrick is right to highlight ASEAN. The concern that I see though with ASEAN is the trends in Southeast Asian domestic politics have run deeply against democracy and liberal values and freedom and human rights, in the last decade or so, seven to eight years in particular. Thailand has had a coup, Indonesia is seeing domestic steps that really undercut freedom, even though they've managed to retain a democratic forum. Clearly the Philippines under Duterte has not been a poster child for freedom and obviously at the start of this year, unfortunately, the military seized power again in Myanmar.

I think there's some real concern there and part of that stems from two things. One, we haven't had a strong engaged advocate for freedom and democracy in the United States in an exemplary regime type here, showing that look, democracy works. It produces consensus or at least respect and we haven't produced high economic growth until basically the middle part of this year. Those two things, an exemplary form of government and economic returns that show this works, are what China is trying to project. China is trying to say, "authoritarian governance works." This model is better and look at what it produces in terms of economic returns. That one thing is ASEAN. The second thing and Patrick, I loved your article, but I will say, I think that one pillar that we should also not overlook is the alliances are the central pillar because they provide even more than AUKUS, even more than the Quad, the traditional deterrence and war fighting capability if needed. That's the U.S./Japan Alliance, the U.S./Korea Alliance, the U.S./Australia Alliance, even our alliances with the Philippines and Thailand provide some capabilities.

General H.R. McMaster:

What you all point out was line of effort one, in the Indo-Pacific strategy that was declassified recently, that we worked on together with our Japanese allies and allies in the region. I think you get the final word.

Mark Stokes:

Let me pull a thread that Scott threw out there on democracy, human rights, within the Indo-Pacific region, but also more broadly on a global scale. In the United States, when we have a "One China" policy that is oversimplified, but states that you can only have normal diplomatic relations with one side of the Taiwan Strait or the other. We picked Beijing. We picked the Chinese Communist Party in the '78, '79, timeframe and withdrew recognition of the ROC. From this perspective, we chose to lend our legitimacy, in terms of the embassy and all the trappings, they call it symbols of sovereignty, but it's actually symbols of legitimacy. The U.S. shouldn't be taking a position on sovereignty, it's none of our business, but legitimacy is a different issue. We give legitimacy to the Communist Party every single day, ever since 1979. What messages that send to the rest of the world?

We don't give equal legitimacy on the other side of the Taiwan Strait. Matter of fact, it's verboten. You can't even put the ROC flag on the State Department website. In my view, there's a connection between the backsliding democracy in the Indo-Pacific region and more broadly the world, that's a leading tinder because we give legitimacy and credibility to Beijing, even though they're not nice, to put it mildly, but it's no wonder that there is backsliding democracy because we encourage that by not necessarily

withdrawing what we do in Beijing, but by not giving legitimacy to the ROC within a One China policy, which is possible. We contribute toward this sort of backsliding.

General H.R. McMaster:

Well, Mark, Scott, Patrick, thank you for your comments. I learned a lot and thanks to viewers who are looking in on this and I know that this is a problem that is not going to go away, and problem set that's not going to go away. I think what we've talked about in large measure today was the importance of deterrence, right? To deterrence by denial. Having both the capability and the will in the United States, but primarily in Taiwan and then with our Japanese allies and Australia allies and across the region, to convince Chinese Communist Party leadership they can't accomplish their objectives through coercion or the use of force. Thanks for the opportunity to be with all of you and thanks to our audience as well.

Patrick Cronin:

Thank you.

General H.R. McMaster:

Thank you. Appreciate it.

Scott W. Harold:

Thanks.