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# Weaponized Interdependence: China's Economic Statecraft and Social Penetration against Taiwan

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*Abstract: This article details the theory of the People's Republic of China's economic statecraft and social penetration. It also uses China's strategy toward the Republic of China (Taiwan) during General Secretary Xi Jinping's era as empirical evidence to illustrate the effectiveness of China's socio-economic statecraft in a globalized world. China considers the reunification of Taiwan as a crucial step for national rejuvenation. And Taiwan has become the main target for China to practice a variety of socio-economic instruments. Therefore, China's manipulation of Taiwan serves as a crucial case for understanding China's global ambition and strategy.*

On January 2, 2019, Chinese leader Xi Jinping delivered a speech on the 40<sup>th</sup> Anniversary of the Issuance of the Message to Compatriots in Taiwan, unveiling the People's Republic of China's primary strategies toward the Republic of China (Taiwan). In the speech, Xi stated that the reunification of Taiwan is the foundation for China's national rejuvenation and the "China dream." To fulfill China's ambition, Xi emphasized, China will not renounce the use of force and will reserve the option of taking all necessary measures. More importantly, China will be eager to promote the reunification through a variety of means, including institutionalizing cross-strait trade and economic cooperation, creating a common market, and granting favored treatment to "compatriots" in Taiwan. Furthermore, China is seeking to influence public opinion in Taiwan by "forging closer bonds of heart and mind" through various social exchanges and communication.<sup>1</sup> Xi's speech reveals that, in a world of

<sup>1</sup> "Working Together to Realize Rejuvenation of the Chinese Nation and Advance China's Peaceful Reunification' Xi Jinping's Speech at the Meeting Marking the 40th Anniversary of the Issuance of the Message to Compatriots in Taiwan," Taiwan Affairs Office of the State Council

interdependence, both economic statecraft and social penetration have become two crucial strategies for China to expand its sphere of influence over Taiwan.

Xi's policy statement is just the tip of the iceberg for China's broader socio-economic statecraft. Economic globalization and technological revolution have created various forms of global connectivity, including trade, investment, infrastructure, digital, and people-to-people connectivity. Those interconnections not only facilitate China's national development, but they also enable Beijing to conduct comprehensive economic manipulation and social penetration all over the world. For instance, China curtailed the import of Japanese autos in 2012 to protest Japan's policy toward the Senkaku/Diaoyu Islands. China also banned the import of Philippine bananas to retaliate against the Philippines' policy regarding the South China Sea dispute. In 2017, to signal its disapproval of Seoul's decision to accept the U.S. bid to deploy the Terminal High-Altitude Area Defense (THAAD) system, the Chinese government halted Chinese group tours to South Korea and implicitly supported a domestic boycott of South Korean goods. In addition, China has provided significant financial assistance to countries in Africa and Latin America in exchange for their support.<sup>2</sup> Furthermore, Beijing has launched numerous social exchange programs worldwide, including cultural, educational, professional, journalistic, and think-tank exchanges. Those programs usually include all-expenses-paid events, job opportunities (offered by Chinese companies), and financial rewards. They help cultivate an international group for China's "Grand External Propaganda" (大外宣, dà wài xuān) China's global strategy of public diplomacy. Finally, as senior fellow and director of China strategy at the Brookings Rush Doshi points out, China is attempting to utilize its financial muscle and technology to influence every stage of global information supply chains.<sup>3</sup>

Clearly, China's economic statecraft and social penetration are different from using coercive hard power based on brute force. They should not be considered as "soft power," a notion Harvard scholar Joseph Nye uses to describe the power of attraction based on values, culture, institutions, and policies.<sup>4</sup> In essence, China seeks to manipulate the target country by creating economic dependence and by penetrating the target's society. China is certainly not the first country to embrace these strategies. What makes it special, however, is how China uses its position in the global networks in conducting this sort of statecraft. China exploits global connectivity and weaponizes interdependence between countries, creating the structural foundation of its economic statecraft and social-penetration operations.

People Republic of China, Jan, 2, 2019, [http://www.gwytb.gov.cn/m/news/201904/t20190412\\_12155846.htm](http://www.gwytb.gov.cn/m/news/201904/t20190412_12155846.htm).

<sup>2</sup> Robert D. Blackwill and Jennifer M. Harris. *War by Other Means: Geoeconomics and Statecraft* (Cambridge, MA: The Belknap Press of Harvard University Press, 2017); and Shannon Tiezzi, "Is China Ready to Take Its Economic Coercion Into the Open?," *The Diplomat*, May 31, 2019, <https://thediplomat.com/2019/05/is-china-ready-to-take-its-economic-coercion-into-the-open/>

<sup>3</sup> Rush Doshi, "China Steps Up Its Information War in Taiwan," *Foreign Affairs*, Jan 9, 2020, <https://www.foreignaffairs.com/articles/china/2020-01-09/china-steps-its-information-war-taiwan>

<sup>4</sup> Joseph Nye, *Soft Power: The Means to Success in World Politics* (New York: Public Affairs, 2004).

### Coercion by Other Means: Economic Statecraft and Social Penetration

How do great powers utilize economic and social instruments to coerce the other countries? In this section, we elaborate the theories of economic statecraft and social penetration.

*Economic Statecraft and Asymmetrical Interdependence.* China is not the first great power to resort to economic statecraft and societal penetration in pursuing national ambition. At the end of World War II, the political economist Albert O. Hirschman published *National Power and the Structure of Foreign Trade*, analyzing how foreign trade could be used as an instrument of national power. The theme of Hirschman's book is Nazi Germany's strategy to expand its trade and political influence during the 1930s. Hirschman pointed out that the gain from "seemingly harmless" trade relations can result in the dependence of the country that receives the traded goods. Prior to World War II, Nazi Germany had already launched "bloodless invasions," using economic carrots to penetrate the political systems and societies of Hungary, Bulgaria, Romania, and others. Nazi Germany's economic practices, including the export of capital, personnel, and enterprises, had created a dense network of interests and customers with the result of rendering Eastern and Southeastern Europe subservient to Nazi Germany.<sup>5</sup>

Although Hirschman was writing against the backdrop of Nazi Germany's economic aggression, his work has a broader implication for international relations today. Hirschman elucidated that trade relations, or economic interdependence broadly defined, could be used as a means of political pressure and leverage because economic interdependence is usually asymmetrical, suggesting that in such an economic relationship one state is more dependent on the other. And political power and dominion arises out of the asymmetry. In international relations, power is the crucial "currency" of great power politics, and states compete for it among themselves.<sup>6</sup> Therefore, great powers constantly pursue asymmetrical economic relationships in order to create dependence and political dominance. David Baldwin, senior political scientist in the Woodrow Wilson School at Princeton, refers to such pursuit of power through economic means as *economic statecraft*, defined as influence attempts relying on resources which have a reasonable semblance of a market price in terms of money. Economic statecraft, Baldwin contends, has been practiced for centuries. And the utility of economic statecraft has been systematically underestimated.<sup>7</sup>

Today, it is all too common for great powers to resort to economic statecraft and social penetration to further their national interests. For example, the United States enacted targeted financial sanctions to deter the Islamic Republic of Iran's

<sup>5</sup> Albert O. Hirschman, *National Power and the Structure of Foreign Trade* (Berkeley: University of California Press, 1979).

<sup>6</sup> John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2001), p. 21.

<sup>7</sup> David Baldwin, *Economic Statecraft* (Princeton: Princeton University Press, 1985).

nuclear program.<sup>8</sup> The Russian Federation launched cyber warfare to destabilize Ukraine's democratic order. Moreover, Russia misinformed and polarized U.S. voters by extensive propaganda and penetration of social media platforms.<sup>9</sup> As a rising power, aiming at building its own order and sphere of influence, China has been engaging extensively in economic and social penetration of other countries. For instance, China banned rare earth metals exports to Japan and curtailed the import of Japanese autos due to the territory disputes regarding the Senkaku/Diaoyu Island in the East China Sea. China, as noted, also banned banana imports from the Philippines to coerce the Philippines to concede in the South China Sea dispute.<sup>10</sup>

More important, economic globalization, the development of supply chains, and breakthroughs of network technology have jointly transformed and updated China's coercive capabilities. Some liberal scholars argue that global networks create mutual dependence that decrease states' incentives to engage in conflict or coercion. However, as political scientists Henry Farrell at George Washington University and Abraham L. Newman at Georgetown University show, global connectivity actually creates new opportunities for great powers to coerce, manipulate, and penetrate. Like Hirschman's emphasis on power asymmetry in economic interdependence, Farrell and Newman also find that modern globalization results in asymmetrical networks, in which some states are far more connected than others. Those states become the "hubs" of the global networks and have the capabilities to exploit "weaponized interdependence." Specifically, those great powers can utilize their hub positions to gather information or cut off financial and information flows, discover and exploit vulnerabilities, compel policy change, and deter unwanted actions.<sup>11</sup>

*Sharp Power and Social Penetration.* Financial power, hub positions in the global exchange networks, and information supply chains also enable authoritarian regimes to engage in comprehensive social penetration and manipulation of other societies. Christopher Walker and Jessica Ludwig of the National Endowment for Democracy analyze such phenomena through a lens of "sharp power," defined as authoritarian influence efforts to "pierce, penetrate, or perforate the information environments and societies in the targeted countries." To delegitimize democracies and other universal human-rights regimes, authoritarian regimes seek to incite and amplify existing divisions in democratic societies by manipulating or faking the information that reaches them. They also use financial incentives to induce media or civil societies in democracies to censor opinions that may be critical of those authoritarian regimes.

<sup>8</sup> Rachel Loeffler, "Bank Shots: How the Financial System Can Isolate Regimes," *Foreign Affairs*, vol. 88 (2009).

<sup>9</sup> Philip N. Howard, Bharath Ganesh, Dimitra Liotsiou, John Kelly & Camille François, "The IRA, Social Media and Political Polarization in the United States, 2012-2018." *Oxford, UK: Project on Computational Propaganda*, 2018, <https://comprop.oii.ox.ac.uk/wp-content/uploads/sites/93/2018/12/IRA-Report.pdf>.

<sup>10</sup> James Reilly, "China's Unilateral Sanctions," *Washington Quarterly*, vol. 35, no.4, 2012, <https://csis.org/files/publication/twq12FallReilly.pdf>.

<sup>11</sup> Henry Farrell and Abraham L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security*, vol. 44, no. 1 (Summer 2019), p. 45.

Finally, they employ new digital technologies to spread false and divisive discourse. Authoritarian regimes usually exercise their sharp power through four types of social exchanges: cultural exchange programs, academic/think tank cooperation, media, and publishing. For example, China established a global network of Confucius Institutes all over the world to host cultural, educational, and academic exchange programs. Each year, China also hosts several all-expenses-paid media and think tank conferences and exchanges with journalists and scholars worldwide. Those programs and conferences, no matter how diversified they are, share one thing in common: censorship. Program staff usually seek to block discussions on sensitive topics, such as Taiwan, Tibet, Uyghurs, or other human rights issues in China. Criticisms are discouraged, especially those that challenge the legitimacy of the Chinese Communist Party (CCP). Participants are expected to promote a positive image of China, as well as to praise China's social, economic, and cultural model and its achievements.<sup>12</sup>

Of course, liberal hegemons or other democratic great powers also regularly promote their culture and political values worldwide. Joseph Nye uses "soft power" to describe liberal powers' pursuit of and competition for international attractiveness, legitimacy, and credibility.<sup>13</sup> However, there are two qualitatively different characteristics between soft power and sharp power. *First*, as Nye indicates, soft power rests in the ability of persuasion and voluntarism: you persuade your target to voluntarily follow your request with legitimate values or reasons. Sharp power, in contrast, fundamentally rejects voluntarism. Sharp power relies on the deceptive use of information and covert operations to mislead the target. In other words, sharp power is actually a type of coercive power because it eliminates the target's voluntary choices by manipulating ideas, political perceptions, electoral processes, and so on.<sup>14</sup>

*Second*, openness is the prerequisite for developing soft power, while sharp power is based on opacity, censorship, and barriers to free flows of information. Ultimately, soft power hinges on legitimacy, and no one can sustain legitimacy without transparency. A country is likely to lose its international legitimacy, as well as soft power, if it continues to rely on covert operations or secret diplomacy, or if its actions are opaque or have a hidden agenda. In contrast, opacity facilitates manipulation through disinformation and is thus conducive to sharp power. Liberal democracies historically countered sharp power by promoting open information and transparency of state behaviors. However, information and communication technologies have

<sup>12</sup> Christopher Walker, "What Is 'Sharp Power'?" *Journal of Democracy*, vol. 29 no. 3, 2018, pp. 9-23; and Christopher Walker and Jessica Ludwig, "Sharp Power: Rising Authoritarian Influence: New Forum Report," National Endowment For Democracy, Dec 5, 2017, ch.1, <https://www.ned.org/sharp-power-rising-authoritarian-influence-forum-report/>.

<sup>13</sup> Nye, *Soft Power*.

<sup>14</sup> Joseph Nye, "How Sharp Power Threatens Soft Power: The Right and Wrong Ways to Respond to Authoritarian Influence," *Foreign Affairs*, Jan 24, 2018, <https://www.foreignaffairs.com/articles/china/2018-01-24/how-sharp-power-threatens-soft-power>; and Joseph Nye, "Democracy's Dilemma," *Boston Review*, May 16, 2019, <http://bostonreview.net/forum/democracys-dilemma/joseph-s-nye-jr-sharp-power-not-soft-power-should-be-target>.

created the opportunities for authoritarian regimes to exploit the openness and interdependence of global networks.

Today, authoritarian regimes like Russia and China regularly spread fake news worldwide to sabotage democratic societies while raising barriers to fact-checking. They use international propaganda machines and cyber techniques to dump disinformation externally so as to crowd out the global information markets and drive out other news providers or media companies. At the same time, they further tighten domestic censorship. China, for instance, has launched several censorship programs, like the “Great Firewall” and “Great Cannon” among others, which guarantee that the Chinese state-own news media can monopolize its domestic marketplace of information (ideas, news, knowledge, etc.).

One central goal behind the use of sharp power is to delegitimize democracies, as well as to decrease democratic soft power. Dictatorships manipulate the information and destabilize democratic societies in order to show that democratic institutions and values, such as freedom and universal human rights, are no better than authoritarian ones in solving domestic disputes. Furthermore, they combine sharp power with economic statecraft to propagate the argument that authoritarianism (dictators often calling it “strong nation”) could be an alternative model, perhaps a better one, for development.

Of course, authoritarian regimes may face international backlash once their sharp power operations are disclosed. However, dictators can still benefit from sharp power because it could help consolidate authoritarian grips on domestic affairs. Because dictatorships impose censorship, they can block external information and shape domestic opinions about international responses. Dictators may even take advantage of international pushback to stimulate domestic resentment and patriotism. In essence, the priority is to strengthen authoritarian stability by using sharp power to penetrate other societies.

### **Global Networks and China’s Pursuit of Socio-Economic Coercive Capabilities**

China has exploited global networks in a number of ways. *First*, as Hirschman reminded us, great powers regularly seek to convert their economic might into political leverage around the world. China is no exception. With the development of global and regional connectivity, China has used its financial muscles to gain control over major natural resources and strategic locations and to influence other states’ stances in disputes. China has provided a substantial amount of aid to African countries to harden its grasp on natural resources. Beijing has also launched comprehensive programs of financial statecraft, known as Belt and Road Initiatives (BRI), to establish its sphere of influence in the Indo-Pacific region and even the whole of Eurasia. China’s financial prowess successfully has swayed some states’ stances in many regional disputes. Philippine President Rodrigo Duterte’s recent concession on the South China Sea dispute is one notable example. Another salient case is China’s successful effort to induce the Solomon Islands to end its diplomatic relationship with Taiwan.<sup>15</sup>

<sup>15</sup> “US cancels Solomon Islands meeting after ‘disappointment’ at it switching ties from Taipei to Beijing,” *South China Morning Post*, Sep. 18, 2019, <https://www.scmp.com/news/>

*Second*, the fundamental goal for the Chinese leadership is to create a world that is safe for China's authoritarian regime. Such an objective could be achieved if there are more non-democratic regimes around the world, or more countries adopting the "China model." Therefore, China does not only seek to develop its repressive capacities, but also it tries to export its censorship regime—encouraging other authoritarian regimes to censor and silence domestic dissidents with the technologies and programs it supplies. China's strategy is twofold: *first*, it has exploited global supply chains and cross-border networks to upgrade its infrastructural power for censorship and monitoring domestic citizens. For example, China has engaged in intellectual property theft worldwide and cyber espionage to increase its information and communication technologies.<sup>16</sup> It has also provided various governmental supports to develop Huawei, China's largest telecommunications company and Chinese "national champion" of the 5G industry. Huawei's success and control over 5G network technologies have enabled the Chinese government to collect and store the data of almost every Chinese citizen. The government also used similar industrial policies to develop *Hikvision Digital Technology* and *Dahua Technology*, Chinese manufacturers and the world's two largest suppliers of video surveillance products. The monitoring capacity provided by Chinese surveillance camera companies, together with Huawei's big data technology, strengthen China's policing capacity and the Communist Party's censorship.<sup>17</sup> The *second* fold of China's strategy is to export its censorship regime to other countries as well as surveillance hardware and data-analytics tools. China has engaged in social penetration into other societies and wielded its sharp power globally to justify the China model. For example, Beijing is cultivating media elites and government ministers around the world to create a network of countries that will follow its lead on internet policy. Chinese officials have held many all-expenses-paid trainings, workshops, seminars, and conferences with representatives from other countries. During those events, China regularly propagates that the Chinese model of censorship is helpful in combating terrorism and fake news, monitoring public opinion,

[china/diplomacy/article/3027827/us-cancels-solomon-islands-meeting-after-disappointment-it](https://china/diplomacy/article/3027827/us-cancels-solomon-islands-meeting-after-disappointment-it).

<sup>16</sup> "PRC State-Owned Company, Taiwan Company, and Three Individuals Charged With Economic Espionage," U.S. Department of Justice, Nov. 1, 2018, <https://www.justice.gov/opa/pr/prc-state-owned-company-taiwan-company-and-three-individuals-charged-economic-espionage>; "The Report of the Commission on the Theft of American Intellectual Property," The National Bureau of Asian Research, Feb 2017, [http://ipcommission.org/report/IP\\_Commission\\_Report\\_Update\\_2017.pdf](http://ipcommission.org/report/IP_Commission_Report_Update_2017.pdf); and "China's Intellectual Property Theft Must Stop" *The New York Times*, Aug 15, 2017.

<sup>17</sup> Dan Blumenthal, "Huawei Is the Doorway to China's Police State," *The National Interest*, Dec 12, 2018, <https://nationalinterest.org/feature/huawei-doorway-chinas-police-state-38532>; and Ashley Feng, "We Can't Tell if Chinese Firms Work for the Party," *Foreign Policy*, Feb 7, 2019, <https://foreignpolicy.com/2019/02/07/we-cant-tell-if-chinese-firms-work-for-the-party/>.



and ensuring cyber security. Several countries introduced cyber-security laws that closely mimic China's own version after their officials participated in those events.<sup>18</sup>

Finally, and much more concerning, the Chinese state apparatus has been developing its "information troops" to silence or deter dissidents as well as to enforce pro-China views at home and abroad. The great majority of these troops—called by some as the "50-cent army"—may not actually be part of the security apparatus, but independent operators including student volunteers at universities, Communist Youth League members, and government bureaucrats.<sup>19</sup> According to political scientists Gary King at Harvard, Jennifer Pan at Stanford, and Margaret E. Roberts at University of California San Diego, the Chinese state apparatus is involved in faking several hundred million social media accounts and posts.<sup>20</sup> The Chinese information troops often use social media to launch campaigns against voices or opinions that criticize the Chinese government or challenge the legitimacy of the CCP. The troops constantly use fake news or specious arguments to manipulate public opinion. With help from Chinese government censorship, they can easily silence dissents and "manufacture" some public consensus. Then, backed by this manufactured consensus, the Chinese government is able to resort to coercion against the dissenters.

In January 2016, Chou Tzu-yu, a Taiwanese singer in the Korean pop band Twice, performed while holding a Taiwanese national flag on a Korean TV show. The Chinese government and information troops directed a campaign that led to a ban on Chou's presence on almost every TV show in China. And Beijing demanded that Chou's Korean management company, JYP, refund the loss of those shows. Eventually, Chou was forced to bow deeply and tearfully read a scripted apology that accepted "one China" in the media.<sup>21</sup> In August 2019, China ordered the Hong Kong-based airline Cathay Pacific to suspend any staff that supports pro-democracy protests in Hong Kong. Perhaps even more telling was China's ban on the broadcasts of the preseason games of the U.S. National Basketball Association (NBA) due to a tweet by Houston Rockets General Manager Daryl Morey that appeared to support the Hong Kong pro-democracy movements. Although Morey was soon forced to delete the tweet, the Chinese government still demanded that the company remove Morey from his post. When NBA Commissioner Adam Silver insisted that freedom of expression

<sup>18</sup> "Freedom on the Net 2018: The Rise of Digital Authoritarianism," Freedom House, Oct 2018, [https://freedomhouse.org/sites/default/files/FOTN\\_2018\\_Final%20Booklet\\_11\\_1\\_2018.pdf](https://freedomhouse.org/sites/default/files/FOTN_2018_Final%20Booklet_11_1_2018.pdf).

<sup>19</sup> Norman Vasu, Benjamin Ang, Terri-Anne Teo, Shashi Jayakumar, Muhammad Faizal Bin Abdul Rahman, "Fake News: National Security in the Post-Truth Era," *Singapore: Nanyang Technology University RSIS Policy Report*, Jan 19, 2018, <https://www.rsis.edu.sg/rsis-publication/cens/fake-news-national-security-in-the-post-truth-era/#.XgewIhcza1t>.

<sup>20</sup> Gary King, Jennifer Pan, and Margaret E. Roberts, "How the Chinese Government Fabricates Social Media Posts for Strategic Distraction, not Engaged Argument." *American Political Science Review*, vol. 111, no.3, pp. 484-501.

<sup>21</sup> "A 16-year-old pop star was forced to apologize to China for waving Taiwan's flag," *Quartz*, Jan 16, 2016, <https://qz.com/596261/a-16-year-old-pop-star-was-forced-to-apologize-to-china-for-waving-taiwans-flag/>.

is a principle not to be compromised, the Chinese government and information troops launched a series of boycott campaigns against the NBA.<sup>22</sup>

In sum, economic statecraft and social penetration have become China's common practices to further its national goal. Taiwan, which is highly dependent on China for its economy, is on the frontline of China's weaponized interdependence.

### **The “5Ms” Approach: China’s Strategy of Economic Statecraft and Social Penetration Against Taiwan**

As indicated earlier, the reunification of Taiwan is China's self-defined core interest. Hence, China has been engaging in economic and social penetration into Taiwanese society. China's aim toward Taiwan is threefold: increasing Taiwan's dependence to cultivate pro-China factions in Taiwanese society, constraining Taiwan's pursuit of independence and democratic values, and forcing Taiwan to gradually accept China's preferred version of “one-country, two-systems.”

China has been Taiwan's largest trading partner. In 2018, China accounted for 24.2 percent of Taiwan's foreign trade (while Taiwan only accounted for about 5 percent of China's foreign trade). China continues to be the largest destination of Taiwanese foreign direct investment (37.3 percent in 2018) and the top destination for Taiwanese heading overseas to work. In 2018, 404,000 Taiwanese worked in China, (including Hong Kong and Macao), accounting for 54.9 percent of all Taiwanese nationals working overseas. China is the largest single source of visitors to Taiwan. In 2019 (January-October), 26 percent of total tourists visiting Taiwan were Chinese citizens.<sup>23</sup>

These statistics indicate that the economic and social network interdependence between China and Taiwan is highly asymmetrical. Decades ago, Hirschman depicted how Nazi Germany used industrial policies, market size, and technology to shape Eastern and Southeastern European neighbors' foreign trade relations, making them substantially dependent on the German market. Those efforts contributed to the rise of Germany's power over them before and during WWII. Today, China is poised to establish its own sphere of influence over Taiwan. Just as great powers did in history, China has been engaging in the “5M” approach of economic statecraft and social penetration against Taiwan: money, manpower exchange, misinformation, mooching (cultivating compradors), and magnifying (propagating the “Chinese Dream”).

<sup>22</sup> “China won't show NBA preseason games as backlash over Hong Kong tweet grows,” *CNN*, Oct 8, 2019, <https://edition.cnn.com/2019/10/08/media/nba-china-hong-kong-morey/index.html>.

<sup>23</sup> The Mainland Affairs Council, Taiwan (R.O.C.), *Cross Strait Economic Statistics Monthly*, 310, Feb 2019; The Taiwan (R.O.C.) Tourism Bureau, “Monthly Statistics: Visitor Arrivals by Residence, January – November, 2019,” Dec 30, 2019, <https://admin.taiwan.net.tw/English/FileUploadCategoryListE003130.aspx?CategoryID=d11969c6-c7ff-41f7-8b77-230f1481964c&appname=FileUploadCategoryListE003130>

## Money

Roman philosopher Marcus Tullius Cicero (106 BC-43 BC) argued: “The sinews of war are infinite money.” Even during peacetime, money is one of the most crucial foundations for national power and statecraft. Regarding China’s economic and social statecraft, money could be broadly understood as any forms of positive inducements—providing *quid pro quos* to anyone for their loyalty and behaviors consistent with China’s national interest. Those *quid pro quos* include, but are not limited to, economic and societal benefits, such as granting market/profit shares, licensing, subsidies, protections, and various forms of privileges. In general, China utilizes its monetary power in three ways: positive *quid pro quos*, negative sanctions (or threaten to launch negative sanctions), and penetration of Taiwanese companies for future collusion.

*Positive Quid Pro Quos.* There are various examples of China using *quid pro quos* to gain leverage in Taiwan. One of the most significant examples was the Economic Cooperation Framework Agreement (ECFA), a preferential trade agreement signed in 2010 between China and Taiwan. Through ECFA, China unilaterally lowered tariffs on many Taiwanese agriculture goods and others. Here, we find a historical parallel. In the 1930s, as Hirschman pointed out, Germany supported the agricultural economies of southeastern Europe by not only paying them higher prices, but also by promising them stability in both price and volume of their exports. Therefore, Germany cultivated vested interests in those countries, and tied the interests of existing powerful groups in their societies to relations with Germany.<sup>24</sup> Likewise, China’s *quid pro quos* have created powerful vested interests in Taiwanese society and misperceptions about Taiwan’s economy and governance. For example, although the data shows that in recent years Taiwan’s economic situation has been relatively stable, compared with most of the countries in the region, as well as globally, still a substantial portion of Taiwanese population think that the ruling party Democratic Progressive Party (DDP) and incumbent president Tsai Ing-wen did not handle the economy or cross-Strait relations well.<sup>25</sup>

Although ECFA created powerful vested interests in supporting China’s influence, it also provoked Taiwanese societal discontent with the hollowing-out effect on Taiwan’s economy and concerns about the political threat posed by economic dependence on China. These situations culminated in the “Sunflower Movement” and the 2014 and 2016 electoral victories by the DPP. Therefore, in recent years, China’s economic statecraft and social penetration have become much more sophisticated. In November 4, 2019, China offered new positive inducements. To promote cross-Strait economic and cultural ties China announced the “26 Measures.” These Measures extend previous positive inducements aiming at forging more interconnections that could contribute to eventual reunification of Taiwan and China. The 26 Measures

<sup>24</sup> Hirschman, *National Power*, pp. 34-39.

<sup>25</sup> “The National Survey On Parties and the Government,” Taiwan Public Opinion Foundation, July 2018, <https://www.tpof.org/>; and “2019 State of the Nation Survey,” *The CommonWealth Magazine*, Jan 9, 2018, <https://english.cw.com.tw/article/article.action?id=2249>.

provide for “national treatment” to induce Taiwanese youth, enterprises, startup entrepreneurs, and blue- and white-collar workers in many sectors. Taiwan-funded companies may be qualified to take part in China’s key industries, such as major technological equipment, 5G networks, and civil aviation. In addition, the Measures allow Taiwanese athletes to be treated as Chinese nationals when joining professional sport leagues in China.<sup>26</sup>

China’s economic statecraft has gained success in a number of cases. In December 2018, days after the DPP’s landslide defeat in the local elections, Wu Pao-chun, an international award-winning Taiwanese baker, announced that he was going to open branches of his bakery in China. However, in order to appease Chinese netizens, Wu issued a statement saying that he was born in “Taiwan, China” and is “proud to be Chinese.” Wu insisted that “two sides of the Strait are one family” and is willing to promote economic exchanges and trade across the Taiwan Strait. Wu also hoped that he could participate in the “measures to promote Cross-strait economic and cultural ties” released by China’s Taiwan Affairs Office of the State Council.<sup>27</sup>

China’s tactics are especially effective in the entertainment industry. Several Taiwanese celebrities currently working in China have made supportive statements consistent with China’s interests, even including the sovereignty issue. In 2016, after the Permanent Court of Arbitration negated China’s “nine-dash line” claims to the South China Sea, many Chinese celebrities started to post a map of the territory that China officially claims, including the nine-dash line. The image also bears a slogan: “China: we cannot lose a single inch [of territory]” and “China’s territorial sovereignty doesn’t need others to arbitrate.”<sup>28</sup> In 2018, then, after a Taiwanese director made an independence-leaning, pro-democracy award speech at the Golden Horse Film Festival and Awards (the Chinese-speaking world’s version of “Oscars”), Beijing immediately censored the broadcast of the award ceremony. This time, many Taiwanese celebrities working in China immediately posted or re-tweeted that image and the slogan: “China: we cannot lose a single inch” even though Taiwan has different claims on its own sovereign territory and the South China Sea dispute.<sup>29</sup>

*Negative Sanctions or Threatening.* Negative sanctions are common in China’s toolbox of economic statecraft. Once China successfully cultivates asymmetrical networks with other states, or private actors, and makes them highly dependent on

<sup>26</sup> “‘26 measures’ promote Cross-straits relations” *China Daily*, Nov 7, 2019, <https://www.chinadaily.com.cn/a/201911/07/WS5dc35b78a310cf3e35575dd7.html>; and Nick Aspinwall, “Taiwan Rebukes Beijing’s New 26 Measures for Cross-strait Exchanges,” *The Diplomat*, Nov 9, 2019, <https://thediplomat.com/2019/11/taiwan-rebukes-beijings-new-26-measures-for-cross-strait-exchanges/>.

<sup>27</sup> “President Tsai decries row over Wu Pao-chun,” *Taipei Times*, Dec. 12, 2018, <http://www.taipetimes.com/News/front/archives/2018/12/12/2003705958>.

<sup>28</sup> Linh Tong, “The Social Media ‘War’ Over the South China Sea,” *The Diplomat*, July 16, 2016, <https://thediplomat.com/2016/07/the-social-media-war-over-the-south-china-sea/>.

<sup>29</sup> “‘You can speak whatever you want in the Golden Horse Film Festival’: From ‘Taiwan as an independent country’ to ‘China: we cannot lose a single inch,’” *The News Lens*, Nov 18, 2018, <https://www.thenewslens.com/article/108419>.

China, Beijing becomes more capable of coercing them by cutting (or threatening to cut) the money flows. For example, the Chinese recently suspended a program that allowed individual tourists from 47 Chinese cities to travel to Taiwan, citing the current state of relations between the two sides. The scheme had been in place since 2011 under the more China-friendly administration of former President Ma Ying-jeou. The suspension is commonly interpreted as China's effort to dampen local support for the DPP by cooling the tourism industry in Taiwan.<sup>30</sup>

Another salient example was the "Yifang Fruit Tea event." Yifang Fruit Tea (一芳水果茶, yī fāng shuǐ shuǐ guǒ chá) is one of the famous Taiwanese tea brands that has opened many shops around Asia. In August 2019, when the pro-democracy protests in Hong Kong escalated, one of Yifang Fruit Tea shops in Hong Kong closed for a day and put up a sign that read in Chinese: "Stand together with Hong Kongers." Chinese netizens were furious because it seemed like Yifang Fruit Tea was backing pro-democracy protests in Hong Kong. They called for a boycott on Yifang, which soon spread to other Taiwanese bubble tea brands, including Gong Cha, HeyTea, CoCo, and A Little Tea. Days after the boycott, Yifang Fruit Tea issued a statement on social media in China, saying that Yifang firmly supports "one country, two systems" and opposes protests and strikes in Hong Kong.<sup>31</sup>

China also constantly enacts negative sanctions in the entertainment industry. In August 2019, China's film regulator announced that it was prohibiting the Chinese movie industry from participating in Taiwan's Golden Horse Awards.<sup>32</sup> In addition, a popular Taiwanese YouTuber lost his business in China after a video of him interviewing Taiwan's president went viral. In the video, Potter King, a Taiwanese internet celebrity with a significant following on both sides of the Taiwan Strait, addressed Taiwan's leader, Tsai Ing-wen, as "president." King's Chinese distributor immediately demanded that he to take down the interview from Taiwanese social media. His Chinese social media accounts were also seized by the Chinese distributor, who removed the video from Chinese social media. Later, the Chinese distributor released a statement indicating that Potter King's contract had been terminated. It described King's language and actions as "inappropriate," and "it strongly rebukes any actions which undermines China's dignity and sovereignty. It firmly insists 'One China' principle."<sup>33</sup>

China also seeks to use licensing or customs inspection to coerce Taiwanese companies to accept the "One-China Principle." For example, Taiwanese companies need to label their goods as made in "Taiwan Area, China," instead of "Made in

<sup>30</sup> "China Bans Citizens From Traveling to Taiwan as Individual Tourists," *Time*, July 31, 2019, <https://time.com/5639832/china-bans-travel-taiwan-tourists/>.

<sup>31</sup> "Storm in a bubble teacup over Taiwan firm's support for Hong Kong protesters," *The Guardian*, Aug 8, 2019, <https://www.theguardian.com/world/2019/aug/08/storm-in-a-bubble-tea-cup-over-taiwanese-firms-support-for-hong-kong-protesters>.

<sup>32</sup> "Absence of China a 'loss' at Chinese-language 'Oscars' in Taiwan," *Reuters*, Nov. 24, 2019, <https://www.reuters.com/article/us-awards-goldenhorse/absence-of-china-a-loss-at-chinese-language-oscar-in-taiwan-idUSKBN1XY00W>.

<sup>33</sup> "Taiwan YouTuber loses China business over Tsai interview," *Channel News Asia*, Dec 16, 2019, <https://www.channelnewsasia.com/news/asia/china-taiwan-youtuber-potter-king-tsai-ing-wen-flirting-video-12187468>.

Taiwan” or “Made in Taiwan, R.O.C.” when they export to China. If they do not comply, then they may face extra duties or longer inspection time. In some cases, Customs agencies in China destroyed imported Taiwanese products that did not have the newly required “Taiwan Area, China” label.<sup>34</sup>

*Illegal Buyout and Forced Collusion.* Lastly, China is also launching two sophisticated monetary statecrafts to penetrate individual Taiwanese companies as well as the whole industries. Chinese state-owned or state-backed enterprises constantly use their enormous financial resources to lure Taiwanese companies, especially those with crucial know-how, to cooperate and jointly develop business. For example, in 2015, Tsinghua Unigroup Ltd, a Chinese state-owned technology conglomerate, planned to spend billions to acquire stakes in three Taiwanese semiconductor companies. The three targets, Silicon Precision Industries Co. (SPIC), Powertech Technology Inc., and ChipMOS Technologies Inc., are all leading chip packing and testing companies in the global arena.<sup>35</sup> The case was controversial because Tsinghua Unigroup's parent company, Tsinghua Holding, is considered deeply connected with the Chinese Communist Party. Tsinghua Holding's former Communist Party secretary, Hu Haifeng, is the son of Hu Jintao, the predecessor of Xi Jinping. Tsinghua Unigroup used to have strong government support; in fact, its acquisitions were far beyond its yearly revenue.<sup>36</sup> Because the acquisition of Tsinghua Unigroup raised concerns about market monopoly and national security, the Taiwanese regulatory agency reviewed it carefully. In the end, the three investment plans of Tsinghua Unigroup failed. However, there are many cases where Chinese state capital tried to enter Taiwan through a third location (either Hong Kong or Singapore) in order to circumvent Taiwanese regulations.

More concerning still is China's collusion strategy. Once Chinese state-owned enterprises (SOEs) acquire controlling shares of a Taiwanese company, these enterprises not only want to grab the crucial know-how/technologies of that company, but they also try to leverage the newly acquired company as part of broader economic statecraft. One notable example was a case of China's economic espionage, in which a Taiwanese company was charged with helping a Chinese SOE steal a U.S. company's intellectual property. According to the U.S. Department of Justice's indictment, prior to the intellectual property theft, Fujian Jinhua Integrated Circuit, Co., Ltd. (“Fujian

<sup>34</sup> “China customs destroys Taiwanese products for not having ‘Taiwan Area’ label,” *Taiwan News*, Jan 16, 2018, <https://www.taiwannews.com.tw/en/news/3342082>; and “Goods manufactured in Taiwan and exported to China are required to be labeled ‘Made in Taiwan, China,’ source tells,” *The Storm Media*, Oct 19, 2019, <https://www.storm.mg/article/1844232>; Authors' interview, Nov 11, 2019.

<sup>35</sup> “China's Tsinghua Unigroup Plans to Buy Stakes in Taiwan Chip-Packaging Companies,” *Wall Street Journal*, Dec 11, 2015, <https://www.wsj.com/articles/chinas-tsinghua-unigroup-plans-to-buy-stakes-in-taiwan-chip-packaging-companies-1449829062>.

<sup>36</sup> “China's Tsinghua Unigroup to invest \$12 billion via world's biggest private placement,” *Reuters*, Nov 6, 2015, <https://www.reuters.com/article/uk-china-tsinghua-investment/chinas-tsinghua-unigroup-to-invest-12-billion-via-worlds-biggest-private-placement-idUKKCN0SV0H820151106>.

Jinhua”), a Chinese SOE, did not possess DRAM technology. Then, Fujian Jinhua sought help from a Taiwanese individual, Chen Zhengkun, who previously worked for Micron (the U.S. company) and became the president of a Micron subsidiary in Taiwan responsible for manufacturing Micron’s DRAM chips. Chen resigned from Micron in July 2015 and immediately began working at United Microelectronics Corporation (“UMC”), a Taiwan semiconductor foundry. While at UMC, Chen arranged a cooperation agreement between UMC and Fujian Jinhua; with funding from Fujian Jinhua and the Chinese government, UMC would transfer DRAM technology to Fujian Jinhua. Chen later became the president of Fujian Jinhua and was responsible for its DRAM production facility. While at UMC, Chen recruited Taiwanese employees from Micron to join him at UMC. Those Taiwanese employees stole and brought to UMC several Micron trade secrets related to the design and manufacture of DRAM.<sup>37</sup>

### Manpower Exchange

Manpower exchange is another part of China’s economic and social statecraft. China is not the first great power to use its networks of manpower to cultivate external influences. In Hirschman’s study, anecdotal evidence shows the export of German trained and skilled labor contributed to Germany’s penetration into foreign countries. China is practicing similar tactics. What makes China’s manpower strategy so special is its size, and how comprehensive and sophisticated China’s manpower networks have become. The flows of manpower as well as other types of social exchanges create opportunities for China to not only develop the united front in the Taiwanese society, but also to breed Taiwanese affinity with the CCP. The Chinese state apparatus has been using multiple manpower channels to make direct contacts with local people and grant benefits to them. China’s statecraft used to focus on the “three middles and the youth”—the youth, small and medium enterprises, middle- and low-income classes, and the population in the middle and southern Taiwan, who are traditionally considered more pro-independent. In 2017, Yu Zhengsheng, the Chairman of the Chinese People’s Political Consultative Conference (CPPCC) and member of the Politburo Standing Committee, further unveiled that China’s economic and social statecraft is going to target “one generation and on stratum” in Taiwan—the younger generation and the grassroots.<sup>38</sup>

China has launched its social penetration operations through those channels, and two are most influential: religious networks established by local temples and quasi-illegal organizations, and various “cross-Strait exchange groups.” Traditionally, China used to manipulate these two channels to penetrate the whole Taiwanese society, including both the younger generation and the grassroots. In recent years, religious networks have become China’s main instrument toward the grassroots because of the political-societal role local temples play in the communities. As for the younger

<sup>37</sup> “PRC State-Owned Company, Taiwan Company, and Three Individuals Charged With Economic Espionage,” U.S. Department of Justice, 2018.

<sup>38</sup> “‘Sing! China’ Controversy Sheds Light on China’s United Front Tactics,” *Taiwan Democracy Bulletin*, vol.1, no.13, 2017, <https://bulletin.tfd.org.tw/2017/09/>.

generation, China has become more inclined to rely on cross-Strait exchange groups to tempt the Taiwanese youth with travel, studying, and job opportunities.

*Religious Networks, Local Temples, and Quasi-Illegal Organizations.* In Taiwan, temples play an important role in local lives and communities. Because of their huge cash flows and unsupervised finances, temples are the foundation of Taiwan's underground economy. Temples also serve as a place for regular gathering and information sharing within the communities. Finally, temples usually function as local charities in Taiwan and may provide emergency support in natural disasters (though their roles in this regard are limited). Therefore, temples tend to have important political influence over local communities and a capacity for political mobilization. Because a large number of people on both sides of the Taiwan Strait share similar religions, the Chinese state apparatus has noticed the potential to use temples and religious exchanges to win local people's heart. Accordingly, the Chinese state apparatus has been actively seeking local agents' help to develop cross-Strait religious networks with temples in Taiwan.

One famous agent is the Chinese Unification Promotion Party, also known as the Unionist Party. The Unionist Party was founded in 2005 by the "White Wolf" Chang An-lo, formerly a key member of the Bamboo Union, a gang accused of engaging in organized crime. The Unionist Party is controversial not only because of its strong pro-unification stance, but also due to its aggressive tactics. For example, it provoked violence and attacked pro-independence demonstrators in the 2017 "Sing! China" event at National Taiwan University. In addition, its members were constantly seen holding Chinese flags outside the Taipei 101 skyscraper to confront Falun Gong (法輪功, *fǎ lún gōng*) members.<sup>39</sup> Moreover, in 2019, during a rally in Taiwan supporting pro-democracy movements in Hong Kong, the Unionist Party members threw red paint at the participants.<sup>40</sup> Furthermore, the Unionist Party held several conferences and activities in Taiwan to promote the idea of unification by any means, including brute force. The Unionist Party also uses its networks to help Chinese people more easily enter Taiwan to conduct political propaganda. For example, the Unionist Party invited Li Yi, a Chinese scholar, who once argued for the necessity of using force for unification, to deliver a political speech in a pro-unification conference although Li's visa was only for tourism. In addition, Chang Wei, son of Chang An-lo, runs the Huaxia Dadi Travel Service Co, a shadow travel agency for Chinese tourists. Huaxia Dadi and other shadow travel agencies have used "fake exchange proposals" to secretly and illegally help more than 5,000 Chinese people enter Taiwan, including Chinese civil servants.<sup>41</sup>

<sup>39</sup> Brian Hioe, "Controversy Regarding NTU 'Sing! China' Debacle Continues To Unfold," *New Bloom*, Sep 27, 2017, <https://newbloommag.net/2017/09/27/sing-china-controversy-continued/>.

<sup>40</sup> "Unionist Party Members Charged for Public Insult HK Protestor," *PTS Taiwan*, Sep 30, 2019, <https://news.pts.org.tw/article/448392>.

<sup>41</sup> "Fake Cross-strait exchanges assisted by shadow travel agencies run by Unionist Party members," *United Daily*, Dec 17, 2019, <https://udn.com/news/story/7321/4231243>



According to one report in *CommonWealth Magazine*, there are three pillars of the Unionist Party: gangs (or former gangs), temples, and overseas Taiwanese businesses. The Unionist Party and temples have a close cooperative relationship, and some have secured important positions in temple groups. A notable example is Lin Kuo-ching, a former gang member, who is now a member of the Unionist Party's central committee. Lin serves as the honorary chairman of several temples, and has excellent relations with the Taiwan Mazu Fellowship run by Yen Ching-piao. Moreover, because smaller temples usually find it hard to establish channels for interaction with temples in China, they turn to the Unionist Party for help. In exchange, they give party members lucrative contracts for the temple's processions and rituals. Now, several small and medium private temples around Taiwan are said to have links with the Unionist Party.<sup>42</sup>

In sum, the Unionist Party, other pro-unification organizations, and Taiwanese local temples jointly have created a powerful network of local political mobilization. Such a network has become a major channel for the Chinese state apparatus to target the grass roots in Taiwan and cultivate local communities' affinity with China and the CCP.

*Cross-Strait Exchange Groups.* The cross-Strait Exchange Groups are another crucial element of China's social penetration efforts. For many years, the Chinese government has used semi-official or puppet organizations to increase and deepen economic, social, and cultural ties between Taiwan and China. The aim of those groups has been to cultivate a shared "pan-Chinese" identity and to create vested interests in unification. A common strategy for those exchange groups is free tours to specific places in China. Such "tours" are planned by the exchange groups, and travel expenses and accommodation are fully covered. During each tour, Taiwanese participants are exposed to political propaganda. On occasion, CCP officials deliver keynote speeches. Taiwanese participants are also likely to receive some benefits (or promise of benefits). Last, personal networks between Taiwanese and Chinese are established during the interactions. Those tours could increase the likelihood that participants rejoin similar tours in the future. With increased participation, powerful bonds are likely to develop between the Taiwanese participants and China. Those bonds may become useful tools for the Chinese government to shape the identity and interest of the Taiwanese participants, making them more willing to accept China's influence.

Previously, those exchange groups mostly focused on Taiwanese adults or the elderly. Recently, they have shifted their target to Taiwanese youth. According to the data, every summer, more than 3,000 Taiwanese students participate in such China tours. There are usually five kinds of tours.<sup>43</sup> The first is theme workshops or forums. The themes include: leadership, entrepreneurship, development, technology, and Chinese history and culture. Such tours tend to be organized by top Chinese universities and usually contain political propaganda.

<sup>42</sup> "United Front Target Taiwan's Grass Roots: Gangs, Temples, Business," *The CommonWealth Magazine*, Aug 22, 2018, <https://english.cw.com.tw/article/article.action?id=2083>.

<sup>43</sup> "Making Contact in order to Promote Unification: Special Report," *READr*, Nov 19, 2019, <https://www.readr.tw/project/unitedfront>.

The second kind of tour is corporate internships. Participants have the opportunity for internships in different Chinese companies. Their travel expenses and accommodation are covered, and they can earn stipends. Participants can develop their personal networks. Following the internships, participants also have chances to become full-time employees. This kind of tour can cultivate participants' material interest in China and has the potential to function as *positive quid pro quos*.

The third kind of tours is natural and historic sites, and business parks. This kind of tour is usually the presentation of China's soft power. The fourth type of tour is academic conferences and expert workshops. Because there are many high-ranking Chinese universities, and those universities have more resources to hire renowned professors, this kind of tours can attract Taiwanese students seeking more educational opportunities and future employment. Finally, there are "art and sport exchange tours." To some extent, this kind of tour functions as the "Ping Pong Diplomacy" between the United States and China from the 1970s. However, such tours have powerful potential as economic and social statecraft because they target even younger generations, such as teenagers, or the athletes, who face an insecure job market in Taiwan.

### **Misinformation-Information Warfare**

China also resorts to sharp power to misinform the Taiwanese public, manipulate the society, and sabotage Taiwan democracy. China's manipulation in Taiwan's politics has been carried out through different channels over years. With the development of cyber technologies, China has also been making greater effort in nurturing pro-Communist media and strengthening its capability to manipulate social media in Taiwan.

In January 2016, when Tsai Ing-wen won the presidential election, members of "Diba," a forum with more than 20 million followers on China's largest search engine Baidu, called upon Chinese web-users to flood prominent Taiwan-related Facebook pages with anti-Taiwan independence comments. Within 12 hours, there were 40,000 negative comments on Tsai's Facebook page. "Diba Expedition"—an abbreviated description of the campaign—became a top trending search on China's social media Weibo.<sup>44</sup>

Another example was the rise of Han Kuo-yu, the Kuomintang (KMT) Party's presidential candidate in 2020 and Mayor of Kaohsiung City. Han was a largely unknown name until late summer 2018, barely four months before the 2018 mayoral election. However, Han started his meteoric rise through the polls. He eventually won a landslide victory in the critical election. Many people attributed Han's ascendancy to his personal charisma and popularity on social media. For example, Han Kuo-yu's official Facebook account had half a million followers at the end of the campaign.

<sup>44</sup> Yifu Dong, "Let the Cross-Strait Internet Trolling Commence," *Foreign Policy*, Jan 20, 2016, <https://foreignpolicy.com/2016/01/20/china-taiwan-tsai-ing-wen-facebook-troll-election/>; and Vasu et al., "Fake News," p.13.

However, a careful analysis shows that China's information manipulation may have contributed to Han's victory. As Paul Huang points out, many of Han's Facebook supporting groups were created, managed, and nurtured by what looks very much like a professional cyber group from China. Those groups helped mobilize the support for Han through many means, including using fake news to manipulate the public attitude.<sup>45</sup>

China's manipulation tactics and espionage are also common in Taiwanese academia. An anonymous scholar from National Sun Yat-sen University pointed out that since 2016, unidentified hackers have silently accessed and checked the email of more than 10 professors of Political Science and International Relations through several fake accounts posing as senior school administrators. The intruders' IP address has been traced back to China, Hong Kong, and the United States. This year, the hackers' IP addresses were highly concentrated in Hong Kong and were suspected of being a domain address generated by using a virtual private network (VPN).<sup>46</sup> This suspicion indicates that China may have extended its cyber espionage network into the Taiwanese academia and universities to increase political control by monitoring the behavior of teachers and students.

### **Mooching (Cultivating Local Compradors)**

Another method for China to penetrate Taiwan's society and politics is "mooching." The purpose of mooching is to cultivate local political agents loyal to the CCP,<sup>47</sup> and to use them to undercut the capacity and authority of Taiwanese government. To some extent, the strategy is similar to colonial authorities' policy toward local compradors.

The mooching approach resembles the manpower exchange approach. For example, both approaches include approaching/inviting Taiwan's opinion leaders,<sup>48</sup>

<sup>45</sup> Paul Huang, "Chinese Cyber-Operatives Boosted Taiwan's Insurgent Candidate," *Foreign Policy*, June 26, 2019, <https://foreignpolicy.com/2019/06/26/chinese-cyber-operatives-boosted-taiwans-insurgent-candidate/>.

<sup>46</sup> "Hackers accessed to and monitored the email accounts of political science professors of National Sun Yat-sen University for three years," *The News Lens*, Nov 8, 2019, <https://www.thenewslens.com/article/127147>.

<sup>47</sup> The author was invited to participate in Chinese exchange programs on young students in 2004. Most of the participants were strongly encouraged to show their support for Chinese nationalism, recognize the traditional cultural roots as the basis for the unification of the two sides of the Taiwan Straits, which is regarded as the responsibility of new generation of Chinese People.

<sup>48</sup> The opinion leaders, including scholars, experts, and retired military officers, were invited to participate in China's state-run TV programs and expressed their support for the Chinese government or the unification of the two sides of the Taiwan Straits, which led the Chinese people to mistakenly believe that this was the mainstream opinion of Taiwanese society. See, Chung Li-hua, "Local filming for China's state-run media probed," *Taipei Times*, Dec. 22, 2019, <http://www.taipetimes.com/News/taiwan/archives/2019/12/22/2003727986>.

local politicians, community leaders,<sup>49</sup> and key figures, such as retired ministers,<sup>50</sup> ex-military generals, religious leaders, school principals, and teachers, as well as young students to take part in cross-Strait forums and various exchange programs organized by China's public and private sectors. Nevertheless, these two approaches are different. *First*, they rely on different ways to govern cross-Strait ties. The manpower exchange approach focuses on building institutionalized channels to conduct routine cross-Strait interactions, while the mooching approach emphasizes developing informal networks to deal with ad hoc tasks. *Second*, each approach has a distinct strategic goal. The manpower exchange approach seeks to shape Taiwanese general public opinion toward China and the CCP, and to foster a group of constituents that can influence Taiwanese politics in China's favor. In contrast, the mooching approach aims for cultivating specific pro-China agents to conduct ad hoc cross-Strait affairs. A salient example is the recent Taiwanese evacuation from Wuhan due to the coronavirus. After the 2019 outbreak of the novel coronavirus (also commonly known as the Wuhan coronavirus) in China, Taiwan's government kept requesting that Beijing permit the evacuation of Taiwanese citizens from Wuhan. However, the Chinese government did not respond to Taiwan's request because China stopped official communications with the incumbent government led by President Tsai Ing-wen since 2016. China also continues to block Taiwan's attendance at the World Health Organization, constricting the Taiwanese government's ability to receive timely information about the coronavirus situation. Beijing eventually allowed an evacuation flight due to the worsening situation. However, media reported that the Chinese officials only collaborated with pro-China Taiwanese businesspersons and elites when drafting flight manifests, rather than allowing Taiwan's government to directly handle the evacuation.<sup>51</sup>

The mooching method is also widely adopted by China's local governments, enterprises, and associations when they approach young Taiwanese. For example, China's universities provide young Taiwanese doctorates with assistant

<sup>49</sup> The author interviewed a community leader in Yilan County on his opinion regarding cross-Strait local community interaction. He argued, "China is developing democracy at the grassroots level. Wealthy and strong community organizations are important to improve their quality of life. Therefore, community representatives came to Taiwan to learn about the development and reinvigoration of local community and are aimed at establishing close ties between grassroots communities in China and Taiwan. From their perspective, it is to facilitate natural social integration of both sides. Nevertheless, with our successful experience, they shall and will thank Taiwan and maintain good relationship with us." Interview with a local community leader in Yilan County, Dec. 19, 2019.

<sup>50</sup> Huang Tzu-ti, "x-defense minister of Taiwan says Beijing approached him," *Taiwan News*, Dec. 2, 2019, <https://www.taiwannews.com.tw/en/news/3828785>.

<sup>51</sup> "Coronavirus: Beijing allows Taipei to evacuate Taiwanese in Wuhan," *The Straits Times*, Feb 05, 2020, <https://www.straitstimes.com/asia/east-asia/beijing-allows-taipei-to-evacuate-taiwanese-in-wuhan>; and Nick Aspinwall, "Taiwan's Coronavirus Response Hits Obstacles Set by Chinese Government?," *The Diplomat*, Feb. 7, 2020, <https://thediplomat.com/2020/02/taiwans-coronavirus-response-hits-obstacles-set-by-chinese-government/>.

professorships.<sup>52</sup> Local governments offer young entrepreneurs with funding for start-ups, working spaces, law services (ex. company registration service), and other business incentives.<sup>53</sup> Some professional associations even provide young Taiwanese professionals with certificates related to their future careers. For example, young tea farmers in central Taiwan are encouraged to take China's version of certification in tea art. It is easier for those with China's Professional Qualification Certificates to seek jobs in China and to promote Taiwanese tea products in Chinese market.<sup>54</sup>

### Magnifying (Propagating the “China Dream”)

China's final approach to penetrate Taiwanese society is “magnifying.” Similar to the misinformation approach, magnifying is also a strategy of using media to create disinformation to manipulate Taiwanese public opinion, a case of China's sharp power. However, the two approaches have different missions and tactics. The goal of the misinformation approach is to delegitimize Taiwan's democratic institutions and values. Hence, misinformation regularly relies on fake news to amplify existing divisions, instigate social conflicts, trigger political instability, and sabotage public trust and confidence in the Taiwanese government. In contrast, magnifying is designed to propagate the China model, glorify the “Chinese Dream,” and preach the necessity of reunification of Taiwan and China. Therefore, the magnifying approach adopts media propaganda that exalts the success of China's development, highlights China's cultural significance, praises China's contribution to the world, and advocates the benefit and the inevitability of joining China's sphere of influence.

In recent years, the Chinese state apparatus and pro-China forces have targeted the southern localities of Taiwan by using various media channels, such as traditional radio stations and new social media. The local radio stations in the central and southern part of Taiwan traditionally were the primary local sources of everyday information in support of the pro-Taiwan independence sentiments, and the audience is regarded as deep-green supporters and anti-China hot-liners. In Taiwan, the key member of Chinese Unification Promotion Party hosts radio programs in the southern cities in conjunction with new social media, such as live streaming Facebook fans page, to convey the pro-China ideology and disinformation to local people. The brainwashing information includes praising China's political economic development and industrial policy under the leadership of Xi Jinping, promoting the success of the

<sup>52</sup> In recent years, universities in Taiwan have cultivated many doctorates, but the domestic higher education job market is highly competitive. This fact led Chinese universities to recruit fresh Ph.D.s from Taiwan, provide them with assistant professorships, and better welfare equal to nationals, which successfully attracts some young academics to seek jobs in China. See, Straits Today, “Taiwanese Professors go Westwards,” March 11, 2018, <https://www.youtube.com/watch?v=1A7a-RkZ2S8>.

<sup>53</sup> Chung Li-hua, “Taiwanese cautioned on Chinese-run incubators,” *Taipei Times*, Oct. 22, 2018, <http://www.taipetimes.com/News/front/archives/2018/10/22/2003702810>.

<sup>54</sup> Interview with a young tea farmer who was encouraged to take the qualification exam of Tea Artist in China, Taipei City, Taiwan, Oct. 2019.

BRI globally, and advocating the cross-Strait social and economic integration.<sup>55</sup> Some programs even argued that the People's Liberation Army, China's warships, missiles, and fighters circumnavigating Taiwan were to defend Taiwan against terrorism or other countries, including the United States and Japan.<sup>56</sup> These programs are to formulate a new pro-China social echo chamber in the deep-green localities of Taiwan.

### **What Taiwan and Democratic Allies Can Do**

Cross-Strait relations between China and Taiwan used to maintain a fragile balance. However, since the global financial crisis of 2007-08, China has become more assertive in challenging international norms, pursuing national rejuvenation, and wielding its power globally. China's threatening behaviors have pushed the relationship between Taipei and Beijing toward the brink of crisis. In order to counter China's threat, Taiwan needs to be vigilant and take necessary measures. First, Taiwan must pay attention to China's economic and social penetration and cultivate the general will and commitment to defending its democracy and sovereignty. As Hirschman underscored, when facing great power's threat of domination, if a small country pays greater attention to the asymmetrical relationship, and maintains a stronger commitment to defending its autonomy, the "disparity of commitment" could generate room for the smaller country to maneuver to achieve greater autonomy.<sup>57</sup> Taiwan's democracy is the best antibody against China's penetration. The Taiwanese government as well as Taiwanese people must be vigilant against China's statecraft. Taiwan must be deeply committed to its democratic development and institutions. Recently, Taiwan passed a new cybersecurity law and enacted new penalties on fake news. The government and civil society also cooperate to form fact-checking mechanisms to curb fake news and disinformation. Taiwan is initiating an "anti-infiltration law" to counter external interference in domestic affairs, such as elections and legislations. Those measures are essential to assure Taiwan's democratic resilience against China's threat and malicious penetration.

In addition, Taiwan must continue seeking, building, and strengthening relationships with democratic, like-minded allies. China's economic and social leverage arise from its hub position in global networks, in which many other countries are asymmetrically dependent on China. Of course, Chinese markets, resources, and civil societies are valuable assets for world development, and there are always opportunities for cooperation with China. While, it is unnecessary to cut off economic interactions with China, Taiwan should pursue a diversification strategy. Taiwan has sought to contribute to one cluster among the contending regional approaches in the Indo-Pacific region, including the U.S.-led Free and Open Indo-Pacific (FOIP) strategy,

<sup>55</sup> See, Chang Mong-tsung's Facebook page, accessed Dec. 28, 2019, <https://www.facebook.com/profile.php?id=100002573573326>.

<sup>56</sup> Alan H. Yang, "China Provides No Solution for Taiwan," Foreign Policy Research Institute, May 28, 2019, <https://www.fpri.org/article/2019/05/china-provides-no-solution-for-taiwan/>.

<sup>57</sup> Hirschman, *National Power*, pp. ix-xi.

Japan's Indo-Pacific Vision, and India's Act East Policy to reinforce its relationships with the like-minded countries and other democracies in the region.

Taiwan also has implemented a New Southbound Policy (NSP) to increase the interconnectivity of Taiwan and partner countries in South and Southeast Asia.<sup>58</sup> Taiwan's NSP not only seeks to build trade and investment linkages, but also pursues mutually beneficial social bonds through people-to-people centered networks. Taiwan's continued efforts to cultivate interconnection within and cross the region are essential to defend its democratic society from the dangers of China-led asymmetrical interdependence. This strategy is beneficial not only for Taiwan, but also for the world and even for China. For many years, China has engaged in predatory economic practices because asymmetrical interdependence provides so many opportunities for China to abuse its power. With the rise of more diversified regional interconnectivity, China may face pressure to move toward economic and social reforms, which will, in the short run, serve China's policy agenda and, in the longer run, contribute to transforming Chinese civil society and economic system.

Since Xi Jinping consolidated his grip on power, the risk of China abusing its power has increased dramatically. Today, the Chinese government is imposing stringent rules on domestic citizens, including detention camps in Xinjiang and the social credit/surveillance system for all citizens. It also has become much more aggressive in challenging democratic values and universal human rights globally. China has been using its financial and technological power to export censorship and promote authoritarianism to other countries. It has leveraged its position in global networks to penetrate other democratic societies to undermine universal values including the freedom of expression. Beijing's social penetration and economic coercion pose severe challenges for democracies. And Taiwan's democracy is on the front line. Democracies around the world should watch China's moves toward Taiwan and cooperate to defend regional stability, global peace, and universal values.



<sup>58</sup> Alan H. Yang, "Unpacking Taiwan's Presence in Southeast Asia: The International Socialization of the New Southbound Policy," *Issues & Studies*, vol. 54, no. 1, (2018); and H.H. Michael Hsiao and Alan H. Yang, "A Taiwanese Vision for a Free and Open Indo-Pacific Region," *Global Taiwan Brief*, vol. 3, no.18, (2017), <http://globaltaiwan.org/2018/09/vol-3-issue-18/#HsiaoandYang09192018>.