

The Taiwan Issue: A Story of Two Chinas

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The Taiwan conflict, which has repeatedly pitted the US and China, the planet's two superpowers, against each other in recent years, traces its roots to the middle of last century. At the conclusion of the Chinese Civil War, which lasted over 20 years (1927-1949), the nationalist powers, defeated by communist forces, left mainland China and took refuge on the small island of Taiwan, located in the southeast of the country. The modern Republic of China, established in 1912 under the leadership of Sun Yat-sen after the collapse of the Qing Empire, effectively continues its existence on the island of Taiwan and to this day considers itself the sole legitimate ruler of the whole of China (i.e., the territories under the rule of what is now the People's Republic of China). The independence of Taiwan, officially known as the Republic of China (ROC), is only recognized internationally by 13 states.

Beyond a discussion of the Taiwan issue, one of the most difficult problems to solve, this article will, from a broad perspective, examine the diplomatic moves that have created the premises for the rising politico-military tensions in the Washington-Beijing-Taipei triangle. We will also look at the failed steps already taken and now underway to resolve the Taiwan issue. In addition, we will systematically analyze the dynamics, which have shaped the complex geopolitical landscape that has dominated Asia-Pacific in the background of the Taiwan conflict, and summarize different perspectives on core historical developments over the past 70 years. While talking about the East Asian region, which is a recognized world center for the microelectronics industry, we will also discuss the fierce competition for high-caliber technologies between the US and China over the last decade.

Taiwan's geostrategic and economic importance

Throughout its history, the island of Taiwan, also known as Formosa, has attracted the attention of colonial powers such as the Netherlands, Spain, France, and Japan because of its strategic location. Taiwan was part of the Great Qing dynasty (1636-1911) between 1683 and 1895. The island, ceded to the Empire of Japan following the First Sino-Japanese War (1894-95), remained under Japanese occupation until 1945 when Japan surrendered to end the Second World War. After the nationalists (Kuomintang or KMT) under Chiang Kai-shek, who ruled mainland China from 1912 to 1949, were defeated by the communists under Mao Zedong, the first civilians and refugees arrived in Taiwan where they continue their existence to this day. Because of the Cold War, the Western states, above all the US, accepted *the Chinese Nationalist Party (KMT)* in Taipei as the sole legitimate ruler of all China, not the *Chinese Communist Party (CCP)*, which came to power in Beijing. The Taiwanese government under Chiang's leadership retained the right to represent all of China in international institutions and organizations until 1971. At that time, it lost its standing in the General Assembly and the Security Council because of the Washington-Beijing rapprochement. As a result, Taiwan was isolated from the international political system, thus laying the foundations for a complex and uncertain geopolitical situation that still persists.

Taiwan, with a population of almost 24 million, is located merely 130 km from China. The Taiwan Strait that separates the island of Taiwan from mainland China, is considered one of the world's major bodies of water. The strategic sea routes along which Taiwan is located are also vital to regional powers, especially China. The Taiwan Strait is also the primary transit route for China's access to the Pacific Ocean. From the northeast, China is surrounded by South Korea and Japan, the two main U.S. allies of the United States, and from the southeast by the Philippines, which is also a U.S. ally. The island of Taiwan is located in between those countries. The

Chinese authorities are concerned that Washington, using the advantageous geographical position of those states, led by Taiwan, will be able to keep China in a state of blockade in the Western Pacific should a war arise. Beijing's efforts over the past decade to develop sea and land transit routes and logistics networks in various directions under large-scale global projects such as the *Belt and Road Initiative* are also borne partly of this concern.

Infrastructure and technological superiority in the field of microelectronics have been one of the most significant contributors to enhancing Taiwan's strategic importance. The island's economy dominates production and export for high caliber technology. Taiwan currently [produces](#) over 80% of the world's highest-end chips (mostly those with high-tech solutions). Founded in 1987, *Taiwan Semiconductor Manufacturing Co.*, or *TSMC*, is the world's largest contract manufacturer of semiconductor chips. It is one of the 10 largest companies in the world with a market capitalization of ~\$511 billion. Since the production of semiconductor chips, consisting of billions of microscopic-sized transistors, is a task that few countries can handle, Taiwan became the epicenter of the global tech race.

The long-term supply chain delays encountered due to the outbreak of the coronavirus pandemic did not spare the microchip industry either. Moreover, with the launch of next-generation 5G wireless networks and devices and algorithms of artificial intelligence across almost all areas of our lives, there is a great need to develop superpowered microchips. This, in turn, is one of the main reasons why Taiwan's role is increasing for all countries on earth. The world's major commercially oriented technology product suppliers, especially in the US and China, depend on this small component produced at TSMC facilities. In other words, semiconductors, otherwise known as "chips," used in many technological fields—from engineering to the smartphone industry, from aviation to next-generation weapons—come from TSMC. For example, TSMC is the

world's only conglomerate that [makes](#) semiconductor microchips for many US technology manufacturers, from chip development for *Xilinx* (US), one of the suppliers of electronic components for the US Air Force's fifth-generation F35 fighter jets, to products owned by Apple Corporation.

Taiwan is also [home to](#) Foxconn Technology Group, the world's largest manufacturer of electronic parts and servers, with control over more than half the world's production of electronic products and components. Without the numerous processing plants owned by Foxconn, which work closely with many countries, including China and the U.S., the production of many electronic devices would be impossible or would at least be paralyzed by long-term failures in the production process. Overall, the innovation-oriented nature of Taiwan's economy helps to strengthen its international position and increase its maneuverability.

Although diplomatic relations between Taipei and Beijing have recently deteriorated, there is a positive trend in economic relations. Thus, if we look at the dynamics of overall bilateral trade, we [will see](#) that mainland China is still Taiwan's top trading partner. The annual trade volume between China and Taiwan has totaled more than \$120 billion, accounting for 25,3% of Taiwan's total exports. If we add Hong Kong, a special administrative region of the People's Republic of China, to this list, the figure [will grow](#) to 40%. In short, mainland China and its related regions comprise almost half of Taiwan's total foreign trade turnover. Of course, the basis of this turnover is high-tech products (from Taiwan to China) and the rare elements and electronic components (from China to Taiwan) needed to manufacture them. In other words, Taiwan imports the bulk of raw materials needed for chip production from China, and China in turn imports semiconductors from Taiwan to meet its giant manufacturing industry's needs. Moreover, the Taiwanese administration also tops the list of those making the most foreign investment in mainland China. Over the past 30 years, Taiwanese companies [have invested](#)

around \$194 billion in Chinese projects. Chipmaker Foxconn's factories, which we mentioned above, are one of the best known examples.

As for the relations of Taiwan, which is almost three times smaller (36,197 km²) than Azerbaijan, with the international community, and more importantly with the world's leading states, the Taiwanese authorities attach special importance to the development of mutual political-economic as well as cultural-social relations. It also helps prevent its isolation politically, particularly from the government in Beijing, and helps to extend its global economic clout. The Taipei Economic and Cultural Mission, [opened](#) by Taiwan in foreign capitals, serves as the main diplomatic channel for establishing and maintaining all kinds of intergovernmental contacts. Although these offices do not officially carry out any diplomatic mission, in practice they are characterized as Taiwan's main representation abroad, i.e., an alternative diplomatic institution serving as a de facto embassy or a consulate. There is currently a total of 111 such establishments around the world. The nearest economic and cultural representative offices to the South Caucasus are in Ankara and Moscow. The Moscow office has been assigned to link citizens from post-Soviet countries, including Azerbaijan, with Taiwan.

In addition, nationals of Taiwan, or more precisely of the unrecognized Republic of China, can also travel visa-free to many countries all over the world. Although the legitimacy of Taiwan's government is not recognized, Taiwan's passport is ranked 29th in the Index of Passports of World Countries, [remaining ahead of](#) sovereign states such as Azerbaijan (57), Türkiye (34), Kazakhstan (57), Russia (60), China (55), India (66) and Qatar (40). Taiwanese students can travel without any restriction in and out of Western European countries, as well as the US.

In the following sections, we will get to know the reasons why Taiwan's de facto independence is not recognized and why the

island government has not declared its sovereignty, despite having all the necessary signs and qualities of a sovereign state.

Beijing's stance on the issue

The Taiwan issue, which the PRC considers an unfinished historical mission from the Chinese Civil War, has long influenced the dynamics of US-China diplomatic relations as well as relations between the dominant countries in the region. Beijing views the approaches of the US and its allies in Taiwan as a gross encroachment on China's internal affairs and as an artificial obstacle to the restoration of its territorial integrity.

According to official Beijing, all countries with diplomatic relations with China and all member states of the UN should unconditionally adhere to the [one-China](#) principle. The *one-China* principle has a clear and unambiguous meaning, i.e., there is but one China in the world, Taiwan is an inalienable part of China, and the government of the People's Republic of China is the sole legal government representing the whole of China. Foreign governments are also forbidden to have official contact with the government of Taiwan, which China considers an illegitimate regime. Most countries, especially the U.S., theoretically follow this principle. Azerbaijan is no exception in this regard.

The annexation of Taiwan, which also considers itself the sole legitimate heir of the whole of China, can be often found on PRC officials' agenda in serious country-level events. Statements regarding the de-facto independent island also tend to seriously [undermine](#) Beijing-Taipei relations as well as Beijing-Washington diplomatic contacts. For example, the Beijing administration's statements on Taiwan at a state event (October 2021) marking the 110th anniversary of the Xinhai Revolution (1911), which led to the fall of the Qing dynasty and ended 2000 years of monarchical rule in China, paved the

way for China-Taiwan relations to reach a critical point again after 25 years of interruption. Speaking of the need to unite the island of Taiwan with mainland China, Chinese President Xi Jinping [said](#) that “peaceful reunification is in the best interests of the Chinese nation, including our compatriots in Taiwan.” Mr Xi has said he wants to see unification occur under a “one country, two systems” principle, similar to that employed in Hong Kong and Macau, which were colonies of the British and Portuguese empires for nearly 100 years. He further revealed his tough stance against foreign interference, stressing that “no one should underestimate the Chinese people’s staunch determination, and strong ability to defend national sovereignty and territorial integrity.”

Another recent development of the problematic Taiwan issue was the [visit](#) of a six-member congressional delegation led by US House Speaker Nancy Pelosi to Taipei in early August 2022. By ignoring the repeated warnings of the Beijing government, the Biden administration set the stage for China to conduct large-scale military exercises off the coast of Taiwan. These moves, which PRC representatives characterize as provocative, have contributed to the gradual deterioration of US-China as well as Sino-Taiwan relations. The *People’s Liberation Army (PLA)*, the principal military force of the People’s Republic of China, routinely responds to White House political moves vis a vis Taiwan by conducting military drills involving the use of heavy weapons off Taiwan’s coast. Along with flexing its muscles against Taiwan), China also threatens to use economic sanctions and a naval blockade against Taiwan.

Chinese army’s planes [started](#) three days of drills around Taiwan in anger at official meetings between the Taiwanese administration and US counterparts in Washington in early April 2023. Taiwan’s Defense Ministry said it spotted 71 Chinese aircraft, including fighter jets and bombers, crossing the median line that normally serves as an unofficial barrier between the two sides. There were also short-range ballistic missile tests during the recent military drills involving

large numbers of troops and aviation. Note that before that, the biggest break in Beijing-Taipei military-political relations dates back to 1996, when presidential elections were held on the self-governing island. This confrontation, known to history as the *Third Taiwan Strait Crisis*, ended with the passage of two U.S. Navy warships through the Taiwan Strait. It is possible that something similar will happen on the eve of Taiwan's next presidential election, scheduled for January 2024. Taiwan's authorities generally aggressively respond to statements from the PRC, as well as practical measures taken by Beijing, stating that the island can withstand Chinese military and economic pressure, avoid provocations. Taiwan at the same time pledges to maintain the status quo with Beijing. Consequently, while the sides had several critical conflicts over the past 70 years, they have avoided escalating the conflict into direct military confrontation.

The wing among Taiwan's political forces with which China has the best relations is the Nationalist Party (Kuomintang). As Taiwan's main ruling party from the middle of the last century to the 1990s, the Kuomintang is positive about the idea of the peaceful integration of Taiwan into mainland China on the basis of Beijing's proposed concept of *one country, two systems*. Under the *1992 Consensus* [signed](#) between the Kuomintang and the PRC, the parties agreed that there is only "one China" and that Taiwan is part of that "China." The document does not make clear, however, which China (the Republic of China in Taipei or the People's Republic of China in Beijing) is the legitimate, exclusive representative of that "China." This raises the possibility that relations between Beijing and Taipei will normalize, albeit partially, if the Kuomintang candidate, who is currently in opposition, wins the presidential election to be held in early 2024.

The Democratic Progressive Party (DPP), which is the majority ruling party in Taiwan, has been following a more pro-Western political course, and denies the existence of the *1992 Consensus*. The DPP is also a key political force that has

played an important role in shaping the new Taiwanese generation, which asserts a separate identity from China. As for the islanders' aspirations for independence, [survey polls](#) conducted by the *National University of Governance* in Taipei from 1994 to the present show that the annual trends in Taiwanese society are toward greater independence. In particular, the new generation advocates that the Taiwanese authorities renounce inheritance rights and territorial claims as the Republic of China and continue along the path toward building a sovereign *Taiwan*, preferring the Taiwanese identity to the Chinese identity.

Summarizing, we can say that Beijing's main goal is to achieve the unification of Taiwan and mainland China; thus, Xi Jinping wants to be on par with the major leaders (Mao Zedong, Deng Xiaoping and Jiang Zemin) who have done outstanding work in the political and economic spheres on behalf of the entire country. However, the current policy of the Taiwanese government is that ROC is already a sovereign country, and its legitimately elected heads of state have succeeded in preserving the island's existence and its democratic values.

The White House's approach

Demonstrating a regular presence in the Asia-Pacific region since World War II, the US Navy has actually become even more active in recent years because China has become the region's dominant economic and military power. The US is now the largest advocate for Taiwan's defense and is seen as the main guarantor of the region's stability. The wave of democratization that swept Taiwan in the mid-1990s is what led it to be one of the region's most liberal countries, which in turn has grown the importance of the Taiwanese government in the eyes of the Western world led by the United States. It should also be noted that under the *Shanghai Communique* signed between the parties during US President Richard Nixon's state visit to China in February 1972, the United States formally [acknowledged](#) the existence of only one China, which included

Taiwan. Despite all these accords, Trump and Biden's presidencies mark the moment when relations deteriorated between Washington and Beijing, while Washington-Taipei relations, by contrast, showed positive signs of strengthening.

While regularly condemning foreign military intervention that would threaten Taiwan's democracy, the White House leadership has also repeatedly stated that it and allies will actively fight in the region against any aggressive activities that could harm peace and stability in the Taiwan Strait. As for US allies, their decision accelerated Japan's efforts to take adequate defense measures for Taiwan and forced the country to build a defense line along the Ryukyu Islands in the East China Sea. The July 2021 [statement](#) by Japanese Deputy Prime Minister Taro Aso, saying that his country "would [...] defend Taiwan at any cost" if the island were invaded by mainland China, is one important development that demonstrates Tokyo's sensitivity to the Taiwan issue. The loss of Taiwan, according to Tokyo authorities, would mean that the islands in the East China Sea administered by Japan, particularly the Senkaku Archipelago, which has long been a point of contention between China and Japan, will also become the next potential target.

Although the major powers do not have any official contacts with Taiwan, Taiwan's bilateral relations with the White House in the military, cultural and economic fields continue to grow. The *Taiwan Relations Act*, ratified by the US Congress in April 1979, is considered a major strategic [document](#) outlining the mechanisms for regulating Washington-Taipei mutual relations. In addition, the Pentagon has played a key role in the provision of arms to Taiwan to organize a defense of the island. The *Taiwan Policy Act of 2022* [approved](#) by the Senate in September 2022 is also designed to bolster Taiwan's defense capabilities. Even though Taiwan's armament might anger Beijing, the Taiwanese administration has nevertheless continued to work closely with Washington to strengthen its military arsenal. Another example of the continuation of

military-technical cooperation that may be cited relates to Taiwan 2019 [agreement](#) to purchase \$17 billion worth of military equipment from the United States. According to some sources, in response to China's geopolitical provocations in recent years, a U.S. special-operations unit and a contingent of marines have also been secretly operating in Taiwan [to train](#) the Taiwanese army and navy with a view to strengthening Taiwan's defense capabilities.

Note that Taiwanese chipmaker TSMC is at the forefront of the US government's agenda because this Taiwanese conglomerate is the world's largest supplier of chips to US giants such as *Apple Inc.*, *Qualcomm*, *Nvidia*, and *AMD*. Overall, most of the microchips used in all types of smartphones, tablets and computers owned by US technology companies are manufactured by TSMC. And Taiwan-based Foxconn also manufactures electronic products for major American companies.

Because of the factors listed above, the protection of Taiwan, whose strategic importance has been further increased owing to the [CHIP crisis](#) that followed the economic consequences of the coronavirus epidemic, has become a priority for official Washington.

On the other hand, in August 2022, US President Joe Biden [signed](#) an executive order to boost the production of critical technology products and strengthen supply chains at the expense of domestic capacity that is crucial to respond to acute semiconductor shortages and gain a strategic advantage over competitors. TSMC is coming to the fore as one of the world's top players in manufacturing a high-end microchip technology within the U.S. borders. Thus, the Biden administration managed to convince TSMC to invest \$12 billion in the construction of new facilities in Arizona. TSMC's manufacturing facilities in Phoenix, which Joe Biden personally visited in December 2022, will manufacture microchips for the US military industry as well as commercial chips. TSMC [said](#) it would more than triple its planned

investment at its new Arizona plant to \$40 billion.

Given Taiwan's controversial status as a state and its geographical proximity to China, official Washington, along with initiatives to reduce its dependence on multinationals such as TSMC and Foxconn, is stepping up joint adequate measures with its allies in the region to protect the existence of Taiwan. In particular, the continued focus on the Taiwan issue at the White House summit (Biden-Suga summit) [held](#) in April 2021 show that the US will take on the military defense of Taiwan along with its traditional allies in East Asia if necessary. This is also [evident](#) in Biden's recent calls with reporters in which he expressed the idea that the US military would be directly involved in the war for Taiwan, unlike in Ukraine. In this context, we [can view](#) the modernization and reconstruction of Australia's naval fleet to fit into a new alliance, *AUKUS*, (a trilateral partnership featuring Australia, the United Kingdom and the United States originally announced in 2021) as an integral part of all these moves. We are not exaggerating if we say that the dynamics of Washington-Beijing-Taipei tripartite relations in recent years is one of the main factors that spurred the creation of AUKUS and similar multinational military-political coalitions in the region.

Undoubtedly, in the context of the Russian-Ukrainian war that has been dragging on for more than a year, the fact that China has also launched intensive military drills in the Taiwan Strait over the last few months led to [speculations](#) that similar events could also take place in the Far East. Nevertheless, a large-scale war in the Western Pacific at a time when socio-economic complications caused by the coronavirus have still not been overcome, especially amid deep economic and technological dependence between China and Taiwan, the US and China, and the US and Taiwan, seems an unprofitable and high-risk endeavor in all respects for all parties.

Conclusion

Against the background of China's swelling geopolitical ambitions, of course, attempts by the US to bolster its representation in the region are setting the stage for the Asia-Pacific region to become one of the world's hottest hotspots. Moreover, Xi Jinping, compared to his predecessors, has demonstrated an aggressive foreign-policy course and is known for his tough rhetoric. And Xi's continued rule beyond his two-term limit also increases the likelihood that the region will soon face controversial geopolitical events and may experience military and political confrontations that could have far-reaching consequences for the island. The course of events and, most importantly, hard-hitting messages by the Chinese leader could also exacerbate the situation.

As the various aggressive and posturing statements by government over the past two years show, the increasingly complex Taiwan issue will be a contentious point of debate that will also influence the development of diplomatic relations between Washington and Beijing in the long run. Thus, we can assume that there will be an increase in the number of collective security collaborations to effectively resist China's geopolitical ambitions and myriad mechanisms of influence. Determining the political future of Taiwan, one of the region's economic engines and innovation centers, will in all cases remain a rather complex process and periodically high on the international political agenda.