

China Brief

By Hypr*

***Not a China Expert**

Outline

- Rise of China
- Taiwan History 101
- Lessons from Hong Kong
- Why we care
- When we care
- China's Military
- China's problems

Two Questions to Start

- Does the U.S. consider Taiwan a country?
- NO
- Is it possible we would go to war with our most powerful adversary to defend Taiwan's independence?
- Sort of... to defend the status quo and its de facto independence

From Farms to Factories

State-led development (central planning) to Marketization

- Before 1978 – China was one of the poorest countries in the world
 - GDP growth of about 3% per year
 - GDP per person was about \$2000 (at purchasing-power parity)
 - 70% of the country's workforce were farmers
 - 90% of the population suffered in abject poverty
- Since 1978 – China opened and reformed its economy
 - GDP growth has averaged over 9% per year
 - More than 800 million people have lifted themselves out of poverty
 - Entered the WTO in 2001
 - China becomes the workshop of the world

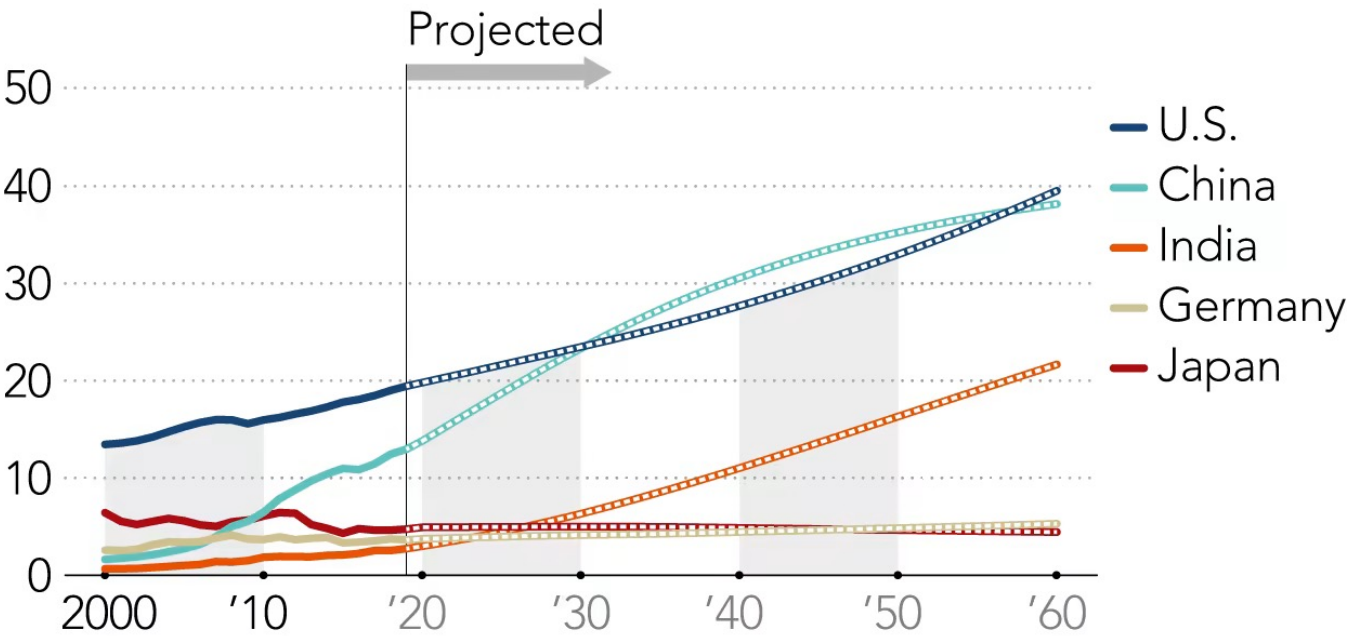
Comparing GDP: Nominal v. Purchasing Power Parity (PPP) (2022)

Figures are in trillions of \$

Country Name	Nominal (current US\$) ▼	PPP (current international \$)
United States	25.5	25.5
China	18	30.3
Japan	4.2	5.7
Germany	4.1	5.3
India	3.4	11.9
United Kingdom	3.1	3.7
France	2.8	3.8

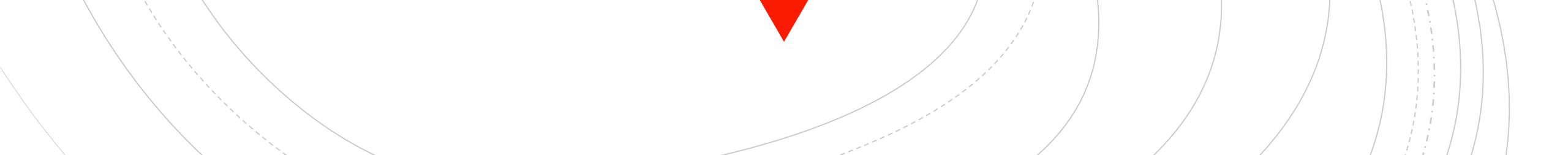
Source: CSIS China Power Project; World Bank

GDP (in trillions of dollars)



Source: Governments, Japan Center for Economic Research (projections)

It's the Economy Stupid



China and Taiwan

A Brief History

- 1895 – Japan acquires Taiwan as a colony, ending several centuries of relative Taiwanese autonomy
- Fall of Qing Dynasty in 1911 – end of centuries of dynastic rule
- Two main political-military groups emerge
 - Nationalist Party (KMT) – legacy of the Republic of China (ROC)
 - Envisioned China as a constitutional republic
 - Following Western models of government
 - Chinese Communist Party (CCP) – formed in 1921
 - Sought a Chinese-styled Communist revolution
 - Future socialist China upholding the principals of Marxism-Leninism
 - Work together to unify China from the warlords in 1928 – but then begin open conflict
- Cairo Declaration – 1 Dec 1943
 - “all territories Japan has seized from China, such as Manchuria, Taiwan and the Penghu Islands, shall be restored to China”

The People's Republic of China

- 1 Oct 1949 – Mao Zedong, the Chairman of the CCP establishes the Peoples Republic of China (PRC)
- Chiang Kai-Shek – generalissimo of the KMT, withdraws to Taiwan
 - He brings two million KMT troops and supporters with him
 - Declares Taipei the temporary capital of the Republic of China
- Early 1950 – the CCP completes its consolidation of power over the mainland
 - The PRC begins amassing troops opposite Taiwan
 - The KMT in Taiwan plots its own cross-strait attack
- However, in June of 1950, the Korean War starts
 - The United States sends the Seventh Fleet to patrol the Taiwan Strait to prevent hostilities
 - The U.S., who had favored the KMT during Japanese surrender negotiations, renews cooperation with them
- 2 Dec 1954 – U.S. and ROC sign a Mutual Defense Treaty
 - The U.S. pledged support for Taiwan in the case of an attack by the PRC

Mutual Defense to Strategic Ambiguity

- 1971 – PRC gets enough votes in the UNGA to expel Taiwan as the Republic of China
 - UNGA admits the PRC as the representative of China to the UN
- 1972 – Nixon to China – reestablishes contact with the PRC
- Shanghai Communique – first formal written statement by China and the U.S. on Taiwan
 - China
 - PRC is the sole legal government of China
 - Taiwan is a province of China
 - The liberation of Taiwan is China's internal affair
 - United States
 - Acknowledged that all Chinese on both sides of the Taiwan Strait maintain
 - There is but one China
 - Taiwan is part of that China
 - Asserted its interest in a peaceful settlement of the Taiwan question by the Chinese

Mutual Defense to Strategic Ambiguity

- 1979 – U.S. formally establishes diplomatic relations with the PRC – Second Communiqué
 - Limits U.S. engagement with Taiwan
 - Abrogates the bilateral defense treaty of 1954
 - Withdraws U.S. forces stationed in Taiwan
 - Withdraws formal diplomatic recognition of Taiwan
- Shortly after Congress outlines the unofficial U.S. relationship via the Taiwan Relations Act
 - American Institute in Taiwan – a “de facto embassy”
 - The U.S. would view “any effort to determine the future of Taiwan by other than peaceful means... a threat to the peace and security of the Western Pacific area and of grave concern”
 - U.S. will provide Taiwan with defensive arms
 - Doesn't obligate the U.S. to defend Taiwan, it does state that the U.S. will maintain the capacity to do so

Mutual Defense to Strategic Ambiguity

- 1982 – Question of U.S. arms sales to Taiwan had remained unsettled
 - Third Communique – future sales would not exceed the level supplied since 1979
 - U.S. declared its intention to gradually reduce arm sales to Taiwan
 - However, the cross-strait military balance would inform U.S. arm sales decisions
- The Six Assurances – what the U.S. did NOT agree to:
 - Had not agreed to set a date for ending arms sales to Taiwan
 - Had not agreed to consult with the PRC on arms sales to Taiwan
 - Will not play any mediation role between Taipei and Beijing
 - Had not agreed to revise the Taiwan Relations Act
 - Had not agreed to take any position regarding sovereignty over Taiwan
 - Will not pressure Taiwan to negotiate with the PRC



Lessons from Hong Kong

- June 30, 1997 – Britain gave Hong Kong to China
 - China “guaranteed” Hong Kong’s economic and political systems would remain unchanged for 50 years
- One country, two systems
- In 2020 Beijing imposed a sweeping national security law
 - Arrested dozens of pro-democracy activists, lawmakers, and journalists
 - Curbed voting rights
 - Limited freedoms of the press and speech



Why We Care

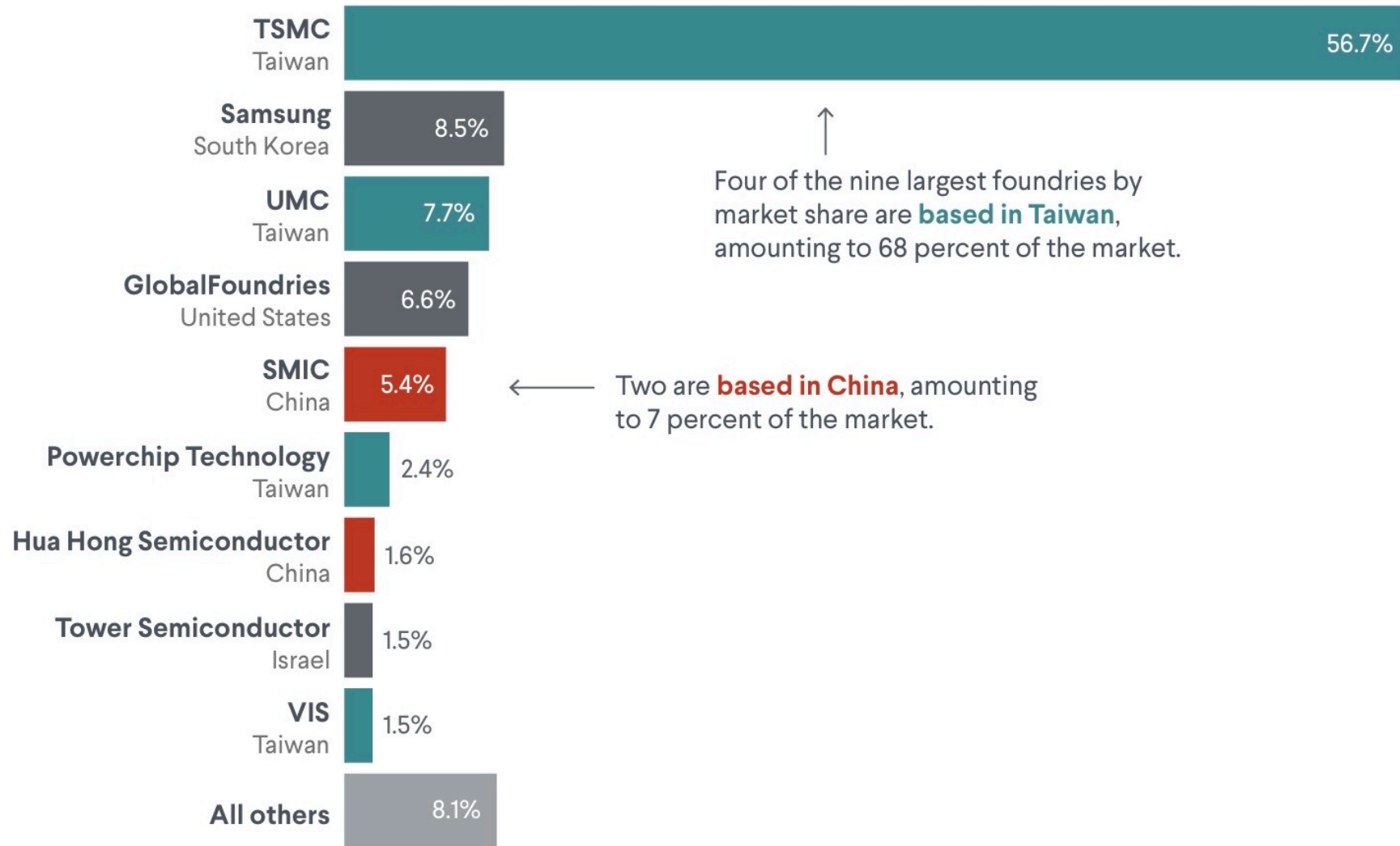
Taiwan's Location Along
the First Island Chain
Anchors a Network of
U.S. Allies



Implications of Chinese Aggression

- **U.S. Alliances**
- **Global Economic Depression – Global GDP down trillions of dollars**
- **Semiconductors – Taiwan manufactures 90 percent of the most advanced chips, 70% of all chips**
- **Fundamental tenets of international order**
- **Taiwan's democracy extinguished**

Market share of semiconductor foundries, 2021



↑
Four of the nine largest foundries by market share are **based in Taiwan**, amounting to 68 percent of the market.

← Two are **based in China**, amounting to 7 percent of the market.



When We Care

It Depends Who You Ask

"I hope I am wrong. My gut tells me we will fight in 2025" - Gen Mike Minihan, AMC/CC

2025

The U.S. likely nears semiconductor sovereignty, reducing its dependence on Taiwan

2030

2027

"We do know, as has been made public, that President Xi has instructed the PLA, the Chinese military leadership, to be ready by 2027 to invade Taiwan." – William Burns, CIA Director

2049

100th anniversary of the PRC. The "Chinese Dream" is to complete "national rejuvenation" by this date.

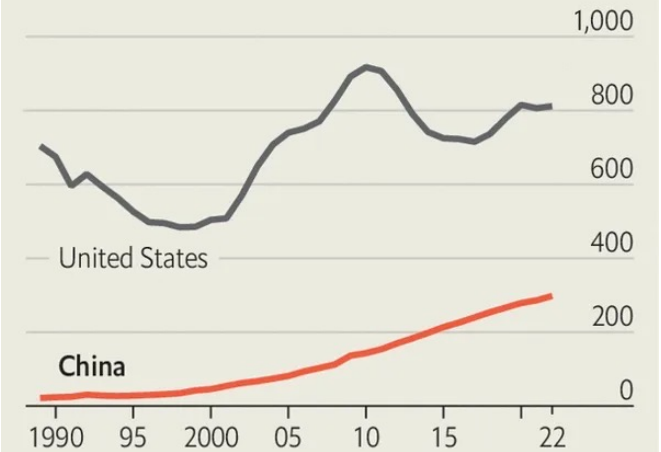
Chinese Military

China's defense budget has risen 9% annually since the late 1990s

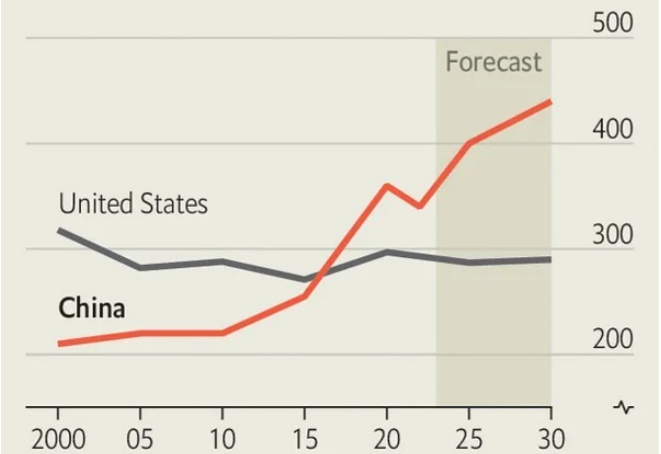
China's navy surpassed America's as the world's largest around 2020

→ Building up to something

Military spending, \$bn, 2021 prices



Total battle-force ships



Sources: SIPRI; Congressional Research Service; Department of Defence; Office of Naval Intelligence

Nuclear Deterrence?

- In 2020, China starting intensifying its nuclear weapons program
 - Since 2020 they've doubled the number of warheads
 - China is constructing hundreds of nuclear silos across its northwestern region
- China has increased its arsenal to more than 500 operational nuclear warheads
- Aiming for 1,500 by 2035



J-20 Mighty Dragon

Missiles

- DF-17 Hypersonic Ballistic missile – 1600 km range
- DF-41 Hypersonic ICBM – in July 2021 the hypersonic weapon circumnavigated the globe.
 - Flying at least 20 times the speed of sound it could reach anywhere on earth in less than an hour
 - The flight ended with the missile striking a target in China
- DF-26 “Carrier Killer” to “ship killer”... “Gaum Killer” - 3000 km range
 - Probably have at least 200 or more launchers
 - Will test our magazine capacity to intercept
- PL-15 (CH-AA-10a) – extended range air-to-air missile
 - Entered service in 2018
 - 300 km range
- PL-17 (CH-AA-X-12) – HVAA killer
 - “Advertised range” of 400 km
 - Seen on operational J-16s in Dec 2023

China's Headwinds

- **China's debt has risen dramatically in the past decade**
 - Largely as the result of credit given to state-owned enterprises after the global financial crisis
 - Debt to GDP ratio of 288% in 2023
- **China's economic growth rate finished last year at one of the lowest levels in decades – 5.2%**
- **Demographics – China's population is rapidly aging.**
 - China ended 2023 with 1.410 billion people – a drop of 2.08 million
 - Births dropped by more than 500,000 last year to just over 9 million – half what it had in 2016

The background features several concentric, irregular, teardrop-shaped lines in a light red color. One of these lines is dashed, while the others are solid. The lines are centered around the word "Questions".

Questions

