

May 10, 2021

The Geopolitics of Taiwan: Part II

In Part I, we covered the history of Taiwan, current relations between the People's Republic of China (PRC) and the Republic of China (ROC), and closed with the end of strategic ambiguity. This week, we will analyze the geopolitical importance of Taiwan and the PRC's military options with regard to Taiwan.

The Importance of Taiwan

As background, we consider the situation between China and Japan a "frozen conflict." The two countries have fought several wars over the past millennia. Since the end of WWII, due to American security guarantees, Japan has demilitarized. The American presence has allowed China and Japan to expand trade relations and investment. The presence of the U.S. in the region means that Japan and China no longer fear for the security of raw material flows. And, they don't fear each other. However, the current peace between Japan and China relies on the U.S. hegemonic presence. If America leaves, either by choice or by ouster, the age-old conflict between Japan and China will likely return.

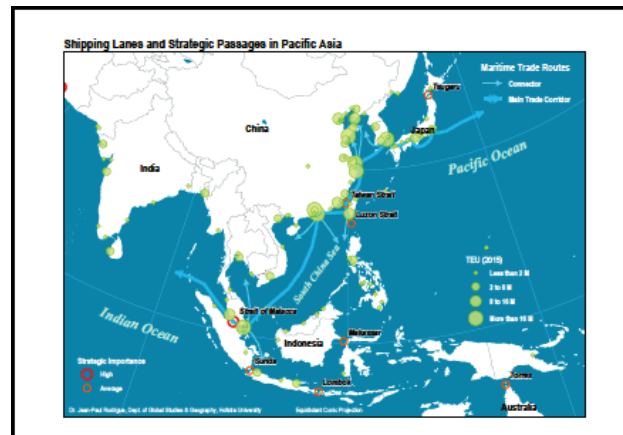
By the same token, the Korean peninsula has been under the control of China or Japan on numerous occasions over history. It is reasonable to assume that if the U.S. presence is reduced, the Koreans will likely face pressure from China and maybe Japan.

The control of Taiwan is critical to the geopolitical situation of the Koreans, Japan, and the Pacific region. Perhaps the clearest

expression of the geopolitical importance of Taiwan comes from the late Gen. Douglass MacArthur.

[MacArthur] said that if Formosa went to the Chinese Communists our whole defensive position in the Far East was definitely lost; that it could only result in eventually putting our defensive line back to the west coast of the continental United States...He pointed out that Formosa was astride the lines of communications between Okinawa and the Philippines, that it outflanked our position on Okinawa and, in the hands of the Chinese Communists, broke through the island wall which we must have along the Asiatic 'littorals' in order to maintain in a strategic sense a defensive line in the western Pacific.¹

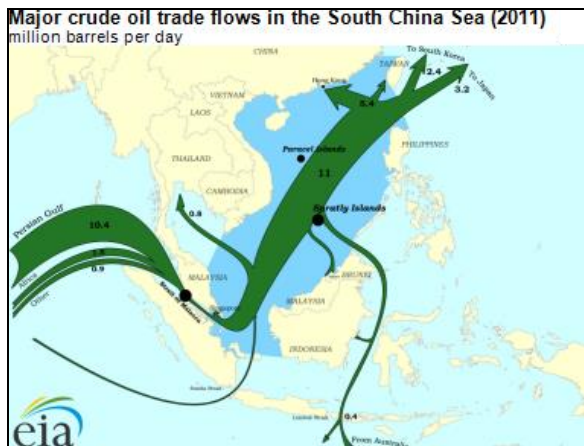
This map of shipping lanes shows Taiwan's importance.



(Source: Dept. of Global Studies & Geography, Hofstra University)

¹ Finkelstein, David M. (2014). *Washington's Taiwan Dilemma, 1949-1950*. Annapolis, MD: Naval Institute Press. (p.225)

As the map shows, two important chokepoints, the Taiwan Strait and the Luzon Strait, would come under Beijing’s control if it annexed Taiwan. That could isolate both Japan and South Korea from shipping. The map of crude oil flows also shows that control over the Luzon Strait could be devastating to both Japan and South Korea.



(Source: Dept. of Energy)

It’s not just trade flows that matter.



(Source: Wikipedia)

This map shows the Ryukyu island chain, which are controlled by Japan, although some of their ownership is disputed.² If

² For example, the Senkaku island is also claimed by China; there are regular Chinese naval incursions that are usually met by Japanese Defense forces.

Taiwan were controlled by China, the Ryukyu islands would provide a path to Japan proper. On the map, we have placed a red arrow; note the difference in ocean depth between this side of Taiwan and the western side. If China controlled the island, this area shown by the arrow would be an attractive location to base submarine forces, [similar to China’s submarine base in Sanya](#).

China, like Japan in the 1930s, is in a somewhat precarious position. It has become an exporting power dependent on the imports of raw materials to feed its industrial might. Unfortunately for Beijing, like Tokyo in the 1930s, it does not control the sea lanes and chokepoints. When the Roosevelt administration placed oil and steel embargoes on Japan due to its invasion of China, Imperial Japan’s response was an attack on Pearl Harbor. China fears it has similar vulnerabilities.

To reiterate, for most of its history, China has either been involved in the world or insular (isolated from the world). When it was involved, it was richer, but the coastal regions would tend to separate from the inland regions due to economic disparity. When isolated, the country was unified but poor. After the civil war, Mao opted for unification. Therefore, under Mao, China faced less risk from America’s control of the seas. Beijing did appreciate that the U.S. demilitarized Japan, so it would not face the historic threat from that island nation.

Deng opted to grow the economy, but, as history would have warned, the tradeoff has been that the coastal regions have become appreciably richer than the interior. Although China’s presidents this century have tried to address this issue, Xi has taken more aggressive steps to try to unify the country while, at the same time, retaining economic growth. He has cracked down on

corruption, which has reduced the wealth of government officials. He has also steadily attacked the very wealthy; [his recent corralling of Jack Ma](#) shows that the CPC under Xi won't tolerate dissent. The suppression of Uighurs in Xingang suggests that the CPC won't accept any hint of a separate culture. The actions in Hong Kong are consistent with this goal. It is unclear if Xi can maintain economic growth and unity, but he is clearly making an attempt. The recent policy of “dual circulation” is an economic restructuring plan that appears to be an attempt to reconcile the isolation/division problem.

As noted above, during the Mao era, China was unconcerned about America's control of Asia's sea lanes. In the early stages of its development under Deng, China increasingly relied on commodity imports that needed to be protected from state blockades or pirates. But, similar to Imperial Japan, China has become uncomfortable with the fact that the U.S. could, at any moment, cut off its access to world overseas trade.

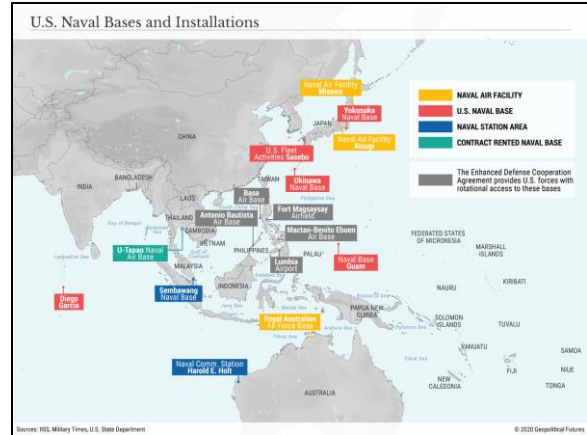


Figure 2. The First and Second Island Chains. PRC military theorists conceive of two island “chains” as forming a geographic basis for China’s maritime defensive perimeter.

(Source: [Global Security.org](#))

China faces an even more difficult problem compared to Japan. It is hemmed in by the first and second island chain, as shown on the above map.

Although the U.S. does not have military forces on Taiwan, it has numerous facilities in the region.



(Source: [Copyright 2021 Geopolitical Futures, LLC](#))

As this map shows, the U.S. has several installations surrounding China, to say nothing about undersea or space assets to monitor Chinese military behavior. Although China is clearly expanding its military and [has built a formidable force on paper](#), with the exception of skirmishes on the India/China frontier, its last land conflict was in 1979 with Vietnam, which, arguably, the Vietnamese won. China invaded to stop Vietnam from attacking China's ally, the Khmer Rouge, in Cambodia. After the Chinese invasion and withdrawal, Vietnamese forces remained in Cambodia. In general, [China is thought to have lost that war and its military tactics did not impress military theorists.](#)³

If China wants to break through the first island chain and control the “belt” portion of the “Belt and Road Project,” controlling

³ There is one point in China's favor, however, that may have a bearing on the Taiwan situation. Vietnam was an ally with the U.S.S.R., which was engaged in an ongoing border confrontation with China. Beijing wanted to show Vietnam that the Soviets were not a reliable ally, and, in fact, Moscow offered very little support to Hanoi. [China's goal of weakening the U.S.S.R.'s status was successful.](#)

Taiwan is paramount. We view the Belt and Road Project as a modern version of 18th century imperialism. China's economy has an overcapacity problem and it needs outlets for its production that can't be consumed at home or exported to the developed world. By investing in the infrastructure of less developed nations, China can create exports to those nations. This situation requires lending to these nations (which is problematic) but also access to global sea lanes. Securing these sea lanes would require, in our view, either annexing Taiwan or acquiescing to American hegemony. If China decides it can't accept American control of the sea lanes, then taking control of Taiwan is necessary. Of course, this control would terrify Tokyo and Seoul and likely force a response.

In summary, for China, controlling Taiwan is critical for two reasons. It would give China significant control over Japan and South Korea, and it is necessary to project power beyond the first island chain. To prevent those situations from developing, Taiwan would need to be kept out of Beijing's control.

War Gaming Taiwan

The ideal outcome for China would be to take effective control of Taiwan without provoking a military response from the combined armed forces of the U.S. and Japan. It has been demonstrated that fighting a conventional war against the U.S. has a low probability of success. When the U.S. can force a fight on conventional terms with clear and limited objectives, America has proven to be successful. The Gulf War, Libya, and Serbia/Kosovo are examples of this sort of conflict. On the other hand, forcing the U.S. into a protracted fight with unclear objectives has tended to favor America's opponents. Vietnam, Iraq, and

Afghanistan are examples of the latter.⁴ So, it would be reasonable to assume that China, in looking to annex Taiwan, is aware of this history. However, there is always the potential for miscalculations. Still, we assume a hot war is the least likely outcome, but not one with zero probability. And so, from most to least likely, here are the three scenarios that we assume may occur if China were to take active steps to prevent an independent Taiwan.

Scenario #1: Quarantine/Blockade

In this scenario, China would deploy its large coast guard and merchant marine to surround and interdict shipping entering Taiwan's waters.⁵ Most likely, this would not be a total blockade; commercial shipping, once inspected, would be allowed to dock in Taiwan. Suspect ships would be diverted to Chinese ports. All military shipments would be prevented from landing on the island.

Since all parties involved have, in one way or another, confirmed that Taiwan is Chinese soil, China should be allowed to control shipping. After all, sovereign nations have the right to control shipping into their ports. If Taiwan is really part of China, it should have the right to control shipping onto its territory. We would expect China to take similar measures to control Taiwan's airspace.

A quarantine would present significant problems for the U.S. After four decades of acknowledging that Taiwan is Chinese,

⁴ It isn't that the U.S. always loses long-term conflicts; the Cold War was a long one, but the U.S. had a clear objective—to outlast the Soviet Union. In fact, one could argue that the U.S. didn't have a plan past outlasting the U.S.S.R., which has explained the policy drift since.

⁵ This operation would resemble the U.S. blockade of Cuba in 1962.

using force to prevent China from protecting its territory from “smuggling” would be hard to justify.

A blockade would be a more serious matter. In a blockade, all commercial and military traffic is intercepted. It is considered a hostile act and some international theorists argue it is a *casus belli*.

A quarantine would allow the Taiwanese economy to continue to function. We would expect increased demand for inventory accumulation in Taiwan due to the uncertainty of supply. But the event would unmistakably show that Beijing was in charge.

Benefits:

1. Beijing would show it is in charge of Taiwan.
2. It is unlikely the U.S. would consider this an act of war. Although Washington would protest loudly, we would not expect the U.S. Navy to begin attacking Chinese enforcement vessels. However, if the U.S. Navy conducted “freedom of navigation” operations in the Taiwan Strait, the risk of a mistake would be elevated. Japan would likely follow America’s lead.
3. A quarantine would seriously undermine the political leadership in Taiwan. If the leader was from the DPP, it would likely lead to a call for a KMT replacement to improve relations.

Costs:

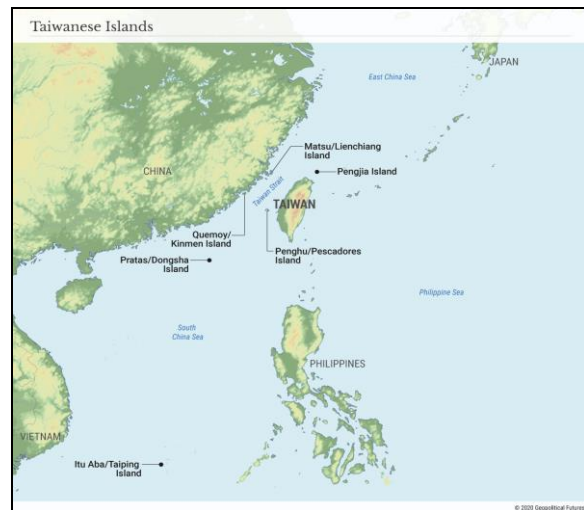
1. Although China would be exercising power, merely controlling shipping would not lead to political control of Taiwan. Political capitulation would likely require a siege (blockade) or an invasion.
2. Maintaining a quarantine over a long period of time would become

increasingly difficult. If China restricted some imports, smuggling activity would result. The U.S. could test the quarantine by running drone ships into the banned area to see if Chinese ships attacked the unmanned vessels, perhaps giving the U.S. an excuse to escalate.

3. The longer the quarantine is in place without triggering political change in Taiwan, the greater the temptation for the quarantine to evolve into a full blockade, which risks a response from the U.S. or Japan.

Scenario #2: Periphery Invasion

Taiwan controls a handful of islands in the Taiwan Strait.



(Source: [Copyright, 2020 Geopolitical Futures](#))

The marked islands are the Pratas/Dongsha, Quemoy/Kimmen, Penghu/Pescadores, Pengjia, and Matsu/Leinchiang. All of these islands are in Taiwan’s possession.

Name	Islands	Population	Area (sq mi)
Patras	1	0	0.6
Qeumoy	17	128k	59
Penghu	90	102k	54
Penjgia	1	0	0.4
Matsu	19	12k	11

China has claimed control of the “nine-dash-line” region in the South China Sea.



(Source: Tufts University)

Although this region doesn't include Taiwan, China has been aggressively claiming various outcroppings in the region. In many cases, it has made structural changes to these reefs and islands, using them to project power. The policy, sometimes referred to as “[gray zone operations](#),” is designed to slowly project power in such a manner so as not to trigger a military response but to improve China's strategic position.

We didn't include Taiping Island, which is in the Spratly chain but is claimed by Taiwan. China could easily take that island, although it wouldn't have much strategic value. Such a move would be more of a political statement. Patras Island has no civilian population, although a small Taiwanese military contingent occupies it. The troops could not repel a concerted attack but the personnel on the island are a “tripwire” that raises the costs of invasion. Its proximity to Taiwan gives it some attraction, but its small size would reduce its strategic value. Pengjia is also unpopulated but, like Patras, has a contingent of troops. It is small and north of Taiwan and would be exposed; in other words, a naval convoy to take the island would be hard to hide. The remaining islands are populated, which raises the risk of a military confrontation.

Benefits:

1. The People's Liberation Army (PLA) has no experience with amphibious operations, so taking one or more of these islands would be valuable practice for the military.
2. Taking these islands would have the psychological impact of showing that the Taiwanese military can't stop China, and the U.S. and Japan won't necessarily intervene.
3. Taking control of various islands and outcroppings signals that China is steadily taking over Taiwanese territory.

Costs:

1. The PLA would be exposing its capabilities or lack thereof. Although we would expect China to be able to capture the uninhabited outcroppings, taking populated areas runs the risk of failure, which would not only be embarrassing, but would also undermine confidence in the PLA.
2. The islands that would be fairly easy to seize have little strategic value but may trigger an unwanted response. At a minimum, it would warn Taiwan and its allies that China is becoming increasingly hostile. But, in a worst-case situation, China's military personnel could be sitting on a “rock” and facing attacks from the air or sea. This isn't likely but the probabilities are not zero. Thus, it seems like little gain for the risk involved.
3. If China attacked the lightly defended, otherwise unpopulated islands and the troops there offered more than token resistance, the PLA might face the problem of Taiwan/Japan/U.S. resupply, which would escalate the event. Then Beijing would have to decide if it wants to match the escalation, retreat, or have its troops face capture.

4. Although the U.S. would probably not escalate the capture of a small Taiwanese island to a war footing, the same might not be true of Japan. Using 1938 Czechoslovakia as an example,⁶ we note that France and Britain both opposed German occupation of the Sudetenland but only France was willing to escalate the situation militarily. Because the British were unwilling to join France, both acquiesced to Germany's annexation. Japan could find itself in a similar situation; however, unlike France, it might be willing to respond militarily, relying on the U.S. to come to its aid if China directly attacked Japanese territory. In other words, the U.S. isn't the only party involved and the situation may get complicated quickly.

Scenario #3: Invasion

This is the least likely outcome. The obstacles to invasion would be serious. The Chinese landing force would have to traverse the Taiwan Strait, which is about 110 miles wide.⁷ Overall that would be a five- to eight-hour journey, depending on where the troops would disembark. Amphibious operations are difficult. Troop-laden ships are vulnerable to naval and air attacks. On D-Day, the Allies had air supremacy. That is not the case today for China and the Taiwan Strait. In addition, modern militaries have a plethora of smart weapons and guided missiles that would make an invasion treacherous. Taiwan's coastline is not conducive for invasion. Only about 10% of the coastline could support an amphibious assault. Landing and resupplying troops without air superiority would be extraordinarily difficult.

⁶https://cdn.cfr.org/sites/default/files/report_pdf/csr90_1.pdf, pp.48-49.

⁷ That's about 10 miles longer than what Allied troops endured on D-Day.

It is important to note that the Allies on D-Day had at least a modicum of surprise. Although the Axis powers knew the invasion was coming, a [well-orchestrated deception](#), which included using Gen. Patton as a decoy, had the Germans defending Pas-de-Calais, across the Strait of Dover, instead of Normandy. And, in those days, there were no high-flying aircraft or satellites that would have given information of where the actual invasion would take place, which would have thwarted the deception.

There is a second method. The PLA could execute an airborne assault on Taiwan. Germany used such operations to take control of Norway in 1940 and Crete in 1941. The British did something similar with the Falklands in 1982. The key to success of such operations is to quickly decapitate the government and seize control. As noted, this would be a high-risk/high-reward decision; if the Taiwan defense forces were able to repel the initial attack, then the U.S. and its allies could react, and China would appear to lose.

Benefits:

1. There are doubts about Taiwan's military preparedness.⁸ Although the island government has made splashy weapons purchases, [there are concerns that it really hasn't integrated these systems into a workable plan](#). Thus, there may be a window of opportunity for an invasion.
2. Although the other two scenarios are less risky, there is no guarantee they would lead to actual control of Taiwan. Only occupation by Chinese forces will bring actual control of the territory.
3. If the invasion is successful, it will deeply undermine confidence in the U.S. ability to defend its allies. If confidence

⁸ <https://www.cfr.org/report/united-states-china-and-taiwan-strategy-prevent-war>, pp.39-40.

is undermined, it will strengthen China's ability to become a regional hegemon.

Costs:

1. This is a “go for broke” strategy. If it fails, it is likely that Xi wouldn't remain in power. The most logical reason to take an aggressive step is because Beijing believes that Taiwan is on the path to independence. Thus, this course of action may require an overt declaration of independence from Taiwan.
2. Even if the invasion is successful, the U.S. and its allies are not without resources. A hostile takeover of Taiwan will lead to a hard break with China. The U.S. could selectively default on Chinese-held Treasuries⁹ and deny China access to the U.S. economy and financial system.
3. Once this path is taken, the world will be forced to choose. Up to this point, many Asian nations have been straddling the world between the U.S. and China,

⁹ We acknowledge this would be tricky. If China sold a bond to another nation, the U.S. would likely restore payment. But China would likely endure a “haircut” on the bond. Such a move would also undermine the dollar's reserve status, although hostile action would allow the U.S. to claim this was an unusual event and such measures would only be used in similar circumstances.

wanting the former for security and exports and the latter for economic growth. The U.S. would force nations to decide, and we suspect most will align with the U.S. China could easily be isolated.

4. The U.S. is unique among historical hegemonies in that it faces no local geographic threats. Especially in the last 600 years, European hegemonies faced near-abroad threats on the continent. A key reason for Britain's success as a hegemon was the English Channel. The U.S. faces no threats from Mexico or Canada and no obvious naval threats. ***Thus, the U.S. has historically had the luxury of making geopolitical mistakes that didn't threaten its hegemonic status.*** Losing Taiwan would be a mistake, but not necessarily a fatal one. Thus, China could be forced to face an invigorated America that would be more committed to containing China.

Part III

Next week, we will conclude this report, examine the importance of Xi Jinping's ascendancy to power and how he may react, and discuss market ramifications.

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May 10, 2021

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