

Nancy Pelosi visits Taiwan amid US-China tensions and Economic Implications

Business Research

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Nancy Pelosi visits Taiwan amid US-China tensions: Executive Summary

Event and Facts:

- **The Speaker of the US House of Representatives, Nancy Pelosi, landed in Taiwan on Tuesday (Aug 2),** ignoring Chinese threats and a warning by President Xi, delivered to President Biden last week, to “not play with fire”.
- **The US has maintained a ‘One China’ policy since the 1970s, under which it recognizes Taiwan as a part of China, but it has unofficial ties with Taiwan as well.** Pelosi urged continued US "solidarity" with Taiwan during her two-day trip, the first time a US House speaker has visited Taiwan in 25 years.
- **For China, the presence of a senior American figure in Taiwan would indicate US support for Taiwan’s independence.** Chinese Foreign Ministry spokesperson Zhao Lijiang has said China would take “resolute and strong measures”.
- **China has never recognized the existence of Taiwan as an independent political entity, arguing that it was always a Chinese province.** Taiwan says that the modern Chinese state was only formed after the revolution of 1911, and it was not a part of that state or of the People’s Republic of China that was established after the communist revolution. **While the political tensions have continued, China and Taiwan have had economic ties.**

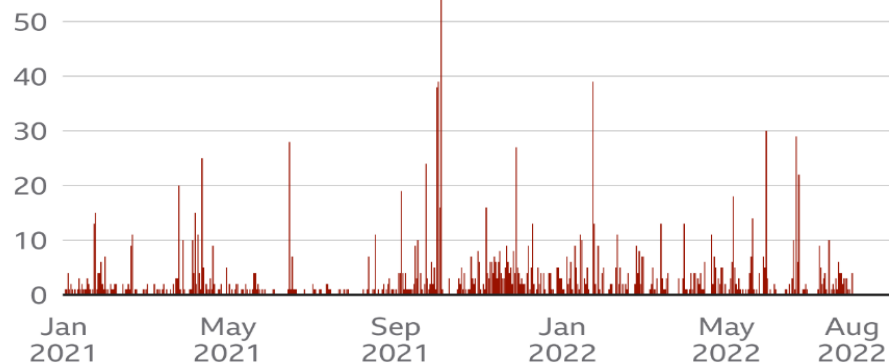
Effects and Implications:

- **China will continue to respond, possibly with military action that could include sending warplanes over Taiwan or even firing missiles into waters off the island, as well as economic and diplomatic measures to isolate Taiwan further.** This is also a sensitive period for China’s leader, Xi Jinping, who faces big domestic challenges while preparing for a Communist Party congress at which he is expected to secure a third five-year term as the party’s leader.
- **China announced it would carry out live-fire drills from Thursday to Sunday (Aug 4-7) across six areas that together effectively encircle Taiwan.** While they will predominantly take place in international waters, some of the areas are close to major Taiwanese ports, meaning they could end up disrupting commercial shipping.
- **China also announced fresh import bans Wednesday on Taiwanese citrus and other food,** saying it detected pests, excessive pesticide residue and Covid-19 in recent shipments. China also suspended natural sand exports to Taiwan, while also blocking imports of Taiwanese citrus fruits, chilled white scallops and frozen mackerel.

Nancy Pelosi visits Taiwan amid US-China tensions: Tensions escalated

The exercise areas announced by China extend well into Taiwan's air defense identification zone — a buffer of airspace commonly referred to as an ADIZ — and in some cases encroach on the island's territorial airspace, an area recognized by international law as extending 12 nautical miles (22.2 kilometers) from shore. **China is set to stage missile tests and military drills around Taiwan from Thursday to Sunday to protest Nancy Pelosi's visit to the island. Ships and aircraft have been warned to stay out of the areas during the drills.**

Reported incursions into Taiwan's Air Defense Identification Zone (ADIZ)



Compare the military might and importance of Taiwan as the world's chip manufacturing powerhouse

Chinese and Taiwanese armed forces

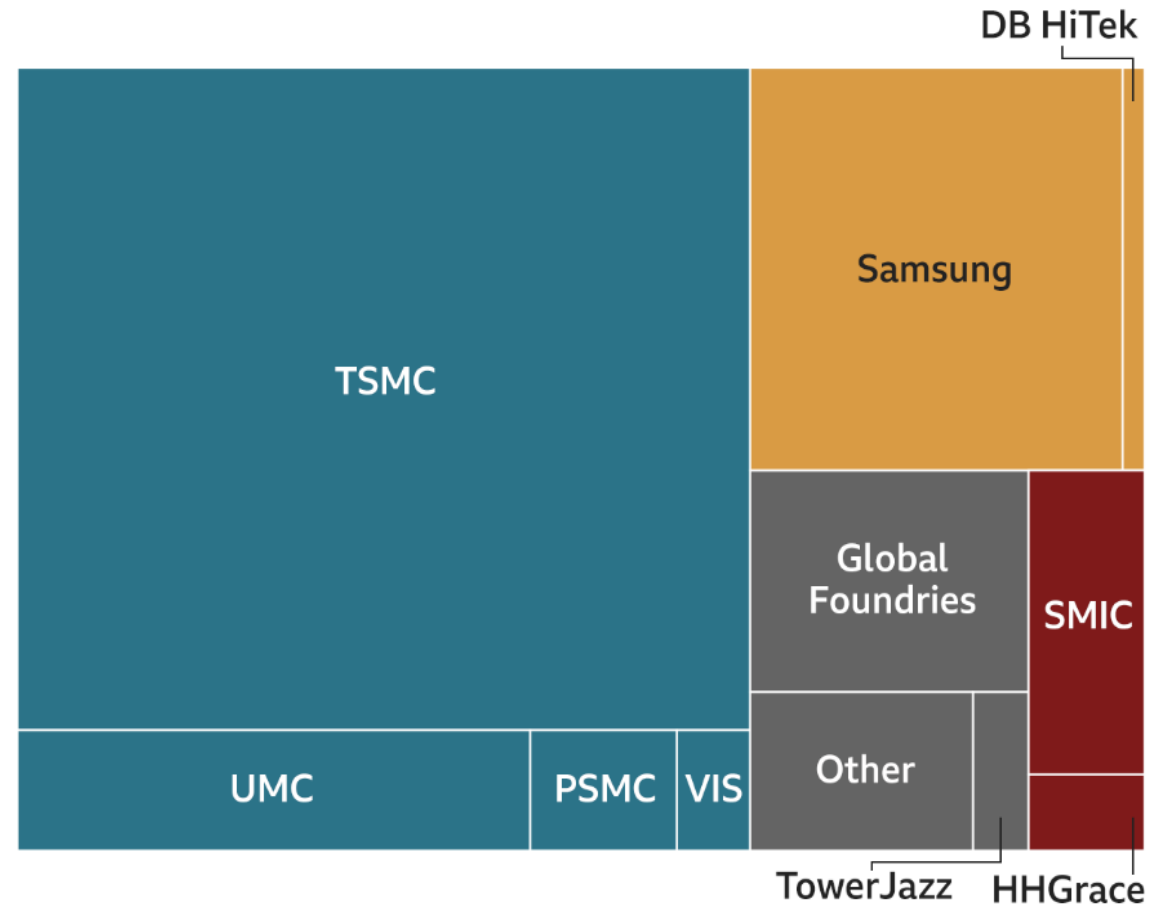
	 China	 Taiwan
Total active forces	2,035,000	169,000
Ground forces 	965,000	94,000
Navy 	260,000	40,000
Air force 	395,000	35,000
Reserves 	510,000	1,657,000
Tanks 	5,400	650
Aircraft 	3,227+	504+
Submarines 	59	4
Naval ships* 	86	26
Artillery 	9,834+	2,093

*Only includes ships classified as principal surface combatants, such as aircraft carriers, cruisers, destroyers and frigates

Taiwan dominates the global production of computer chips

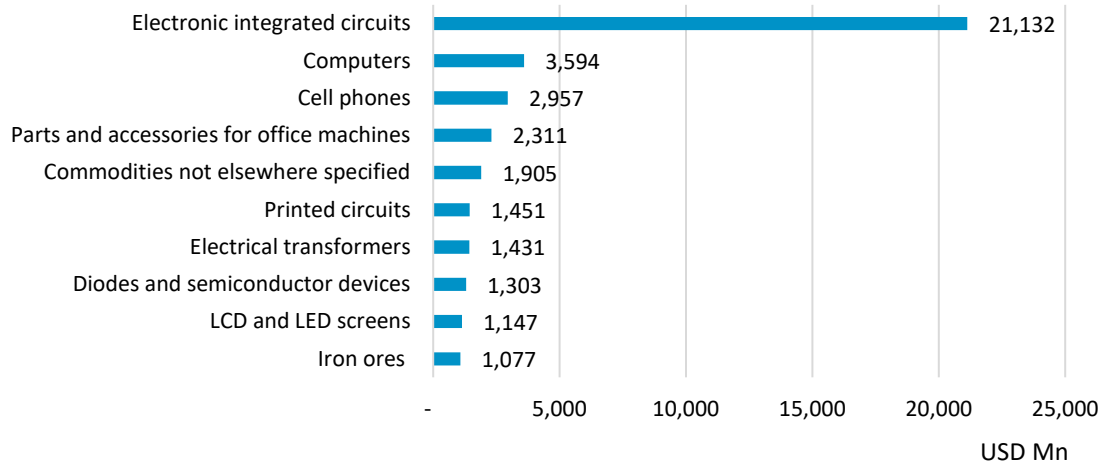
Global foundry market share, by country and company 2021

Taiwan 65% South Korea 18% China 5% Other 12%

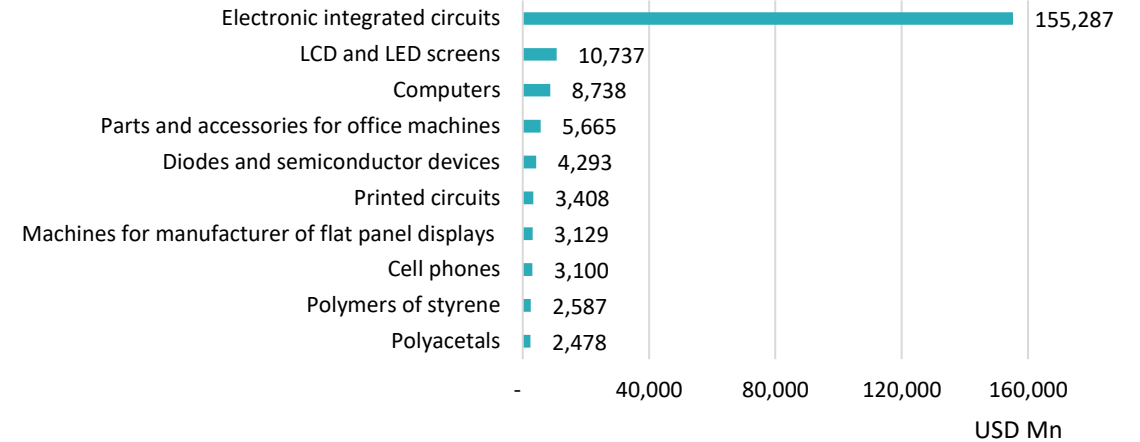


China's Trade with Taiwan - Major products are ICs and electronics

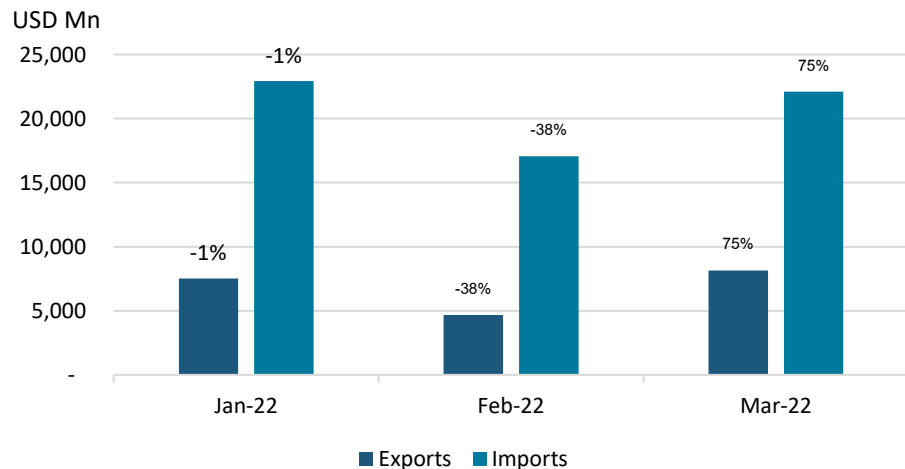
China's Top 10 Exports to Taiwan 2021



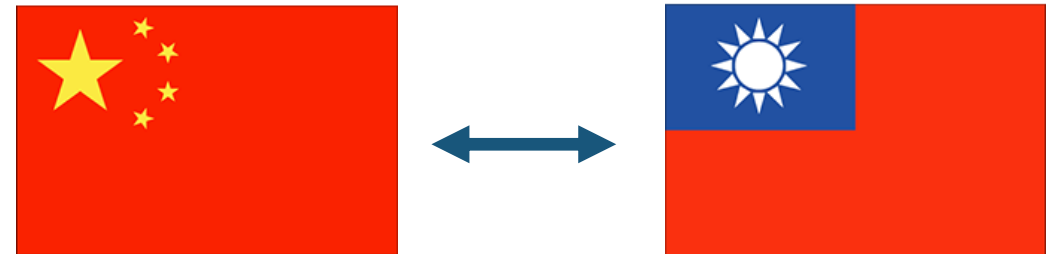
China's Top 10 Import Categories from Taiwan 2021



China's Trade with Taiwan Jan - Mar 2022

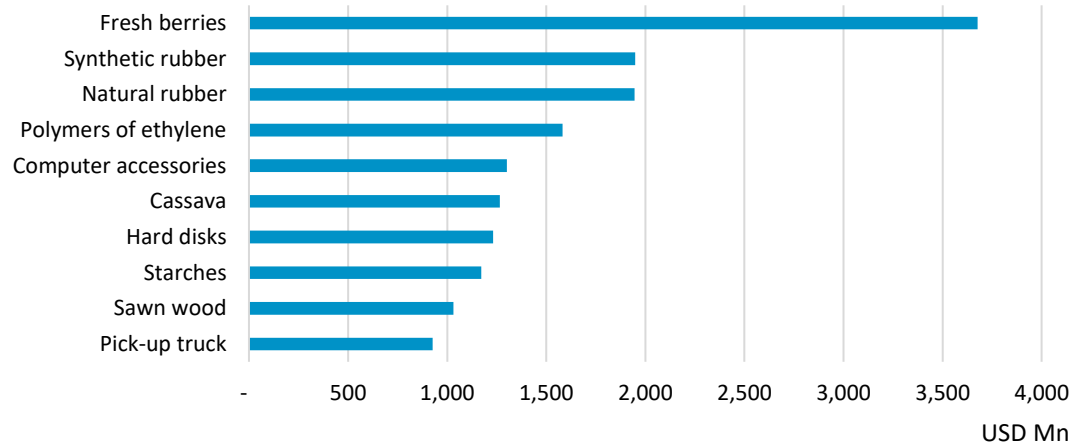


China is Taiwan's largest trading partner, with bilateral trade rising 26% on year to \$328.3 billion last year. Taiwan held a sizable surplus against China, with exports from the island exceeding imports by \$172 billion, according to Chinese customs data.

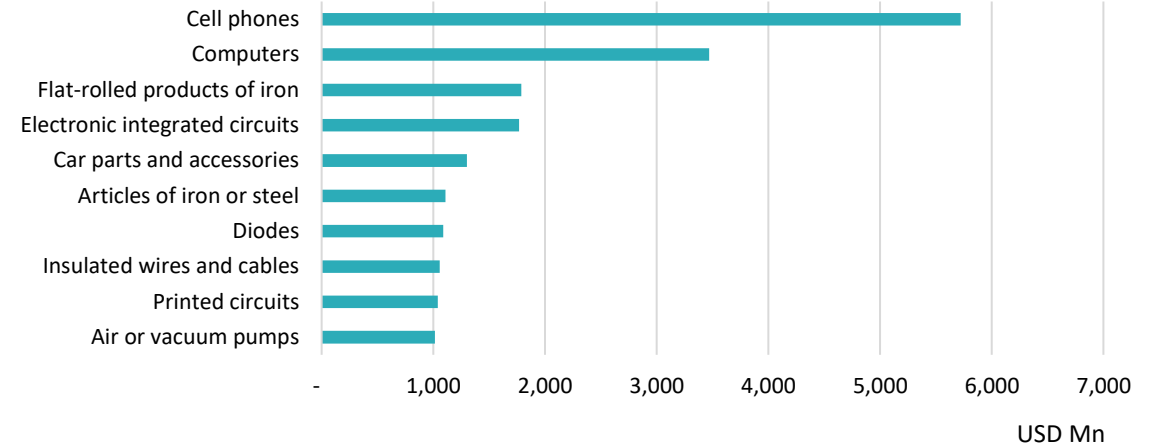


Thailand's Trade with China – Major exports = Agri and imports = Cell phones

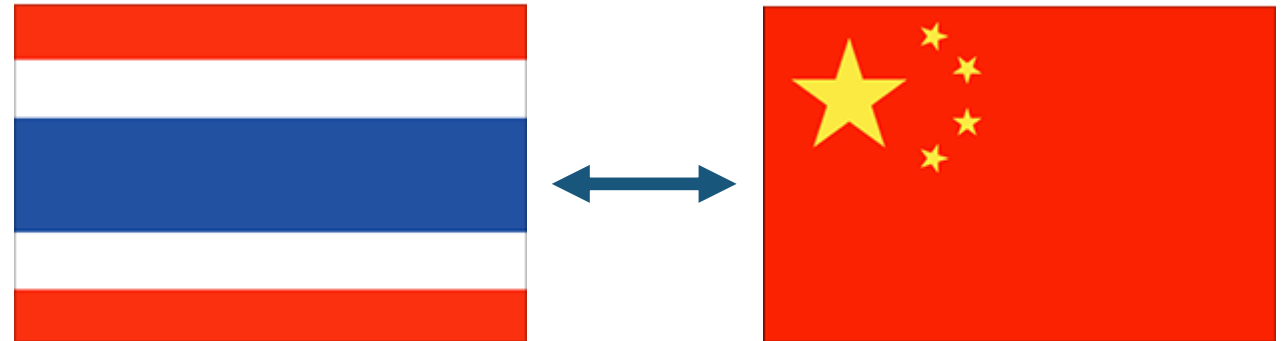
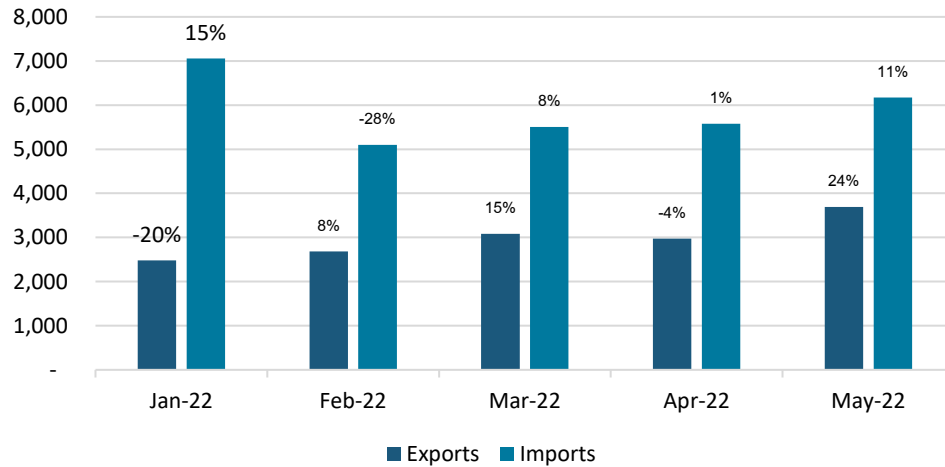
Thailand's Top 10 Export Categories to China 2021



Thailand's Top 10 Import Categories from China 2021

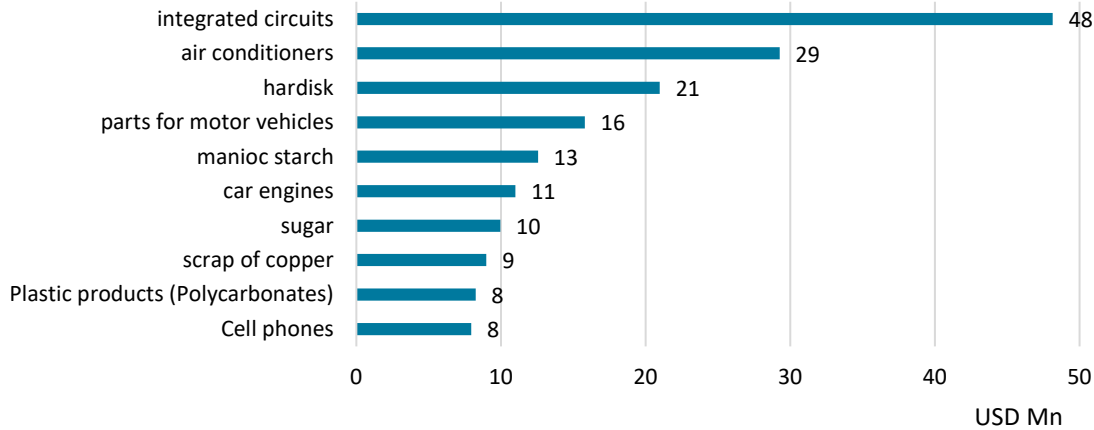


Thailand's Trade with China Jan - May 2022

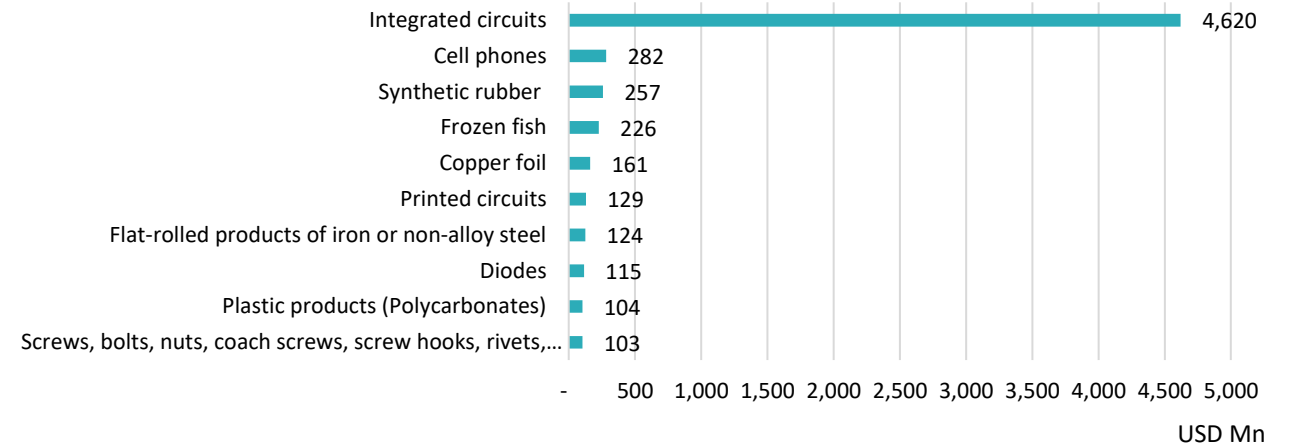


Thailand's Trade with Taiwan – Major trade products are ICs

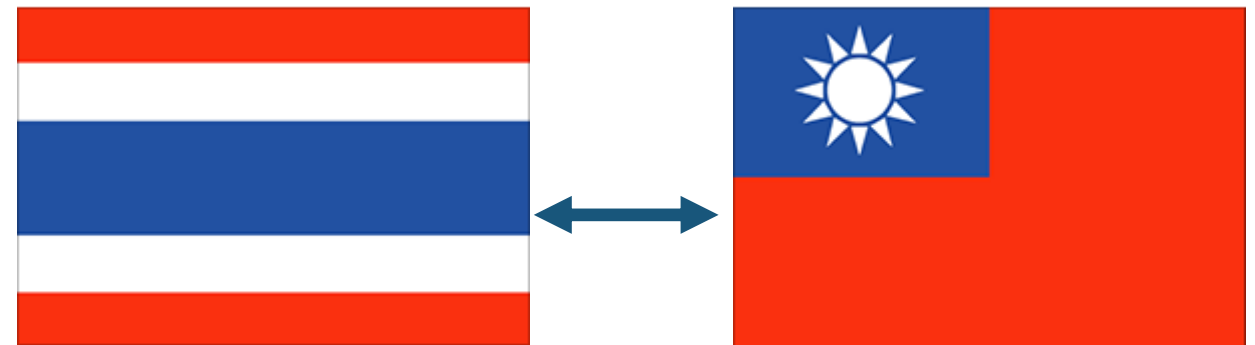
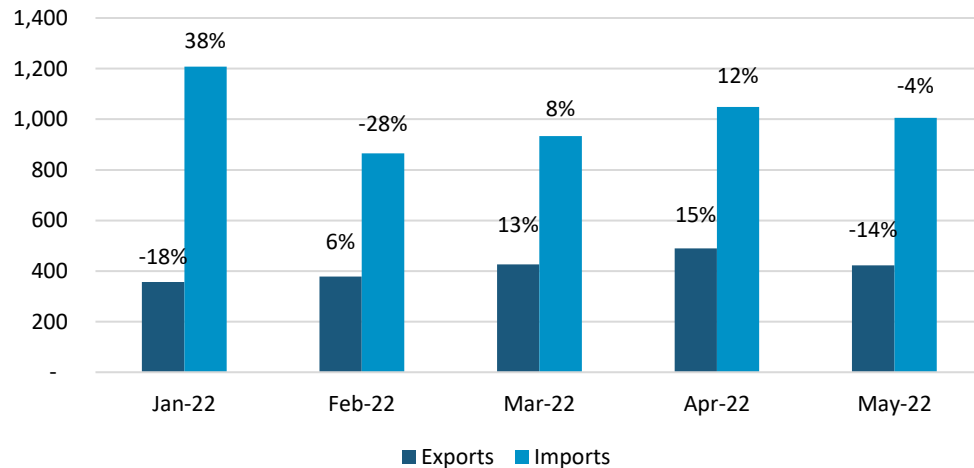
Thailand's Top 10 Export Categories to Taiwan 2021



Thailand's Top 10 Import Categories from Taiwan 2021



Thailand's Trade with Taiwan Jan - May 2022



End of Presentation

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