



**Key Findings**  
**Regional Perspectives on Export Controls and STC**  
**December 16, 2020 (US) | December 17, 2020 (Taiwan)**  
**Virtual (Webex)**

The Pacific Forum and the Institute of International Relations at National Chengchi University, with support from Taiwan’s Ministry of Foreign Affairs, Prospect Foundation, and the US State Department’s Export Control and Related Border Security Program held their tenth annual strategic trade control workshop, Regional Perspectives on Export Controls and STC, on December 16, 2020 (US) in a virtual format. Over 70 participants from relevant government agencies and nongovernmental organizations attended in their private capacities. Discussions focused on regional developments in export controls and strategic trade controls (STC), and the economic benefits of strategic trade control implementation.

Key Findings from the workshop are below.

**The State of STC in the New Normal**

The United States’ trade-turned-tech war with China will likely continue into the incoming Biden administration. Two factors determine US policies on its trade relationship with China: domestic and international or structural factors. The current bipartisan consensus toward China in the US Congress—and the converging attitude among US allies and like-minded partners—will shape Sino-American relations moving forward. This leaves the incoming Biden administration with limited options if it intends to reset the US relationship with China. The trade war has set the path for a bifurcated supply chain. There is also mounting pressure from the US Congress for the Commerce Department to identify and control emerging and foundational technologies. China will continue to adopt a reciprocal response, as seen through the recent release of its export control law. It will also continue to seek strategic technologies from other partners in the region.

COVID-19 has affected the progress among ASEAN member states in their adoption and implementation of STC measures. As discussed in the previous Pacific Forum STC workshops, ASEAN member states such as Malaysia and Indonesia have faced delays in the passage or updating of their control lists and activation of relevant intergovernmental coordinating bodies. Vietnam has a new proliferation decree related to UN Security Council Resolution 1540, but still does not have control lists. The lack of skilled personnel in charge of STCs remains a key issue in ASEAN, particularly in Indonesia, Myanmar, Cambodia, Brunei, and Laos. Specifically, Brunei,



despite receiving 8-10 years of training, has not yet made concrete progress in STC management. Indonesia prefers to use the term “Strategic Trade Management” rather than “Strategic Trade Controls” given the connotation of the word “control” as a trade barrier, not a booster. There are positive signs, however, for ASEAN’s recovery from the pandemic. Trade is growing and the development of the vaccine will improve the prospects for ASEAN in the coming months.

### **Taiwan’s response to US-China Trade War**

As a direct effect of the US-China trade war, Taiwan continues to welcome both returning companies from mainland China as well as US and European companies entering its market. Taiwanese companies are also investing in various parts of the world aside from China. The US-China trade war altered Taiwan’s exports, making the US its largest export partner. Meanwhile, Taiwan’s semiconductor exports to China have increased by 43 percent. The composition of Chinese companies investing in Taiwan has gradually shifted from high-value tech sectors into retail and services. Taiwan has promulgated various measures for its inward and outward investments, which cover pre- and post-investment registration. Most notably, it integrated a national security clause that prohibits investments that could negatively impact its overall national security. The regulation was put into place to screen companies that have potential links to China that come to Taiwan using third parties.

Taiwan is navigating a volatile regional and international landscape. It is delicately managing its position with respect to US-China strategic rivalry and is deepening its integration into ASEAN economies. Taiwan has also adopted a “negative list” for sensitive technologies that belong to its defense industry. It has recently passed a Defense Industry Development Act to dissect defense suppliers and manufacturers based on capacity and credibility. Recognizing the challenges of China’s Civil-Military Fusion strategy, Taiwan is keen to build relationships with like-minded partners and allies to engage in meaningful discussions on how to protect the transfer of sensitive information. Given Taiwan’s central role as one of the world’s semiconductor hubs, it considers trade management as a shared security and economic issue in the Indo-Pacific region.

Understanding the complexity of tackling emerging technologies, Taiwan is currently planning to set up a coordinating mechanism between the Ministry of Defense, Bureau of Foreign Trade (in the Ministry of Economic Affairs), and the Ministry of Science and Technology. Given their dual-use nature, most emerging technologies belong to civilian departments for research purposes, so cooperation with the Ministry of Education is also vital. The need for more comprehensive STC management is becoming essential as more investments in dual-use technologies flow into Taiwan.



Taiwan has drafted regulations that deal with this emerging technology supply chain to boost Taiwan’s defense industry. However, it is also important not to overburden industry with excessive regulations.

Taiwanese industries have best-in-class STC compliance practices, but they also face new challenges that are multidimensional and multidirectional in nature. Specifically, there are differences in foreign versus domestic controls and specific elements and approaches to STC compliance in areas such Know-Your-Customer screening, item classification, and end-use assessment. Existing STC structures must evolve through working with the government. Global partners can help Taiwan meet these contemporary challenges.

Protecting technology should be vital in developing research and development (R&D) partnerships. Taiwanese industries must approach “upstream” collaboration in R&D not only from a purely technical standpoint but also in integrating positive-sum relationships that adhere to national legislation. More effort should be made to involve dual-use industry companies, including small and medium-sized enterprises, in STC conversations. Involving emerging dual-use tech players will help safeguard technology while optimizing regulations. With Taiwan’s new types of tech regulation and investment screening mechanisms, companies’ practices should evolve to address gaps and mitigate failures.

### **The Economic Benefits of STC in Southeast Asia**

Pacific Forum presented its study “The Economic Benefits of STC Implementation for Southeast Asia.” It found that STCs have a substantively positive impact on a state’s international trade (import and export values). Nevertheless, compared to multinational companies with adequate resources, small and medium-sized enterprises perceive high costs as a major barrier in STC compliance. The next steps of the study include a more in-depth understanding of the economic effects of STCs in Southeast Asia; an examination of effects of STC implementation on sectoral FDI levels; and the expansion of the study to focus on regional STC networks.