Beijing has ratcheted up pressure on President Tsai Ing-wen, while also promoting Taiwan’s integration with China. In response, Tsai has strengthened ties with major powers and modestly increased support for defense. Despite Chinese and domestic pressures, Tsai has adhered to her cross-strait policy. Taiwan’s November local elections could have implications for the 2020 presidential election and future cross-strait relations. Beijing remains concerned about US policy toward Taiwan. The Trump administration has taken steps to support Taiwan, but the president appears at times to see Taiwan as an element useful in US-China negotiations. The American Institute in Taiwan (AIT) dedicated its new office building in Taiwan, but no Cabinet official participated.
Beijing increases pressure

The big picture has changed little since the fall of 2016. Cross-strait relations remain stuck in an unproductive impasse. President Tsai Ing-wen is not prepared to accept a One-China framework despite Beijing’s increasing pressure, and Beijing is unwilling to be flexible on this core principle. In the absence of dialogue, problems arise that strain relations and deepen mutual suspicions. Nevertheless, the past four months have seen significant developments.

Beijing continues to ratchet up diplomatic, commercial, and social pressure to deter independence and induce President Tsai to accept the 1992 consensus on One China. The PLA has continued to conduct military exercises near Taiwan, often publicizing them for propaganda purposes. In May, CCTV streamed footage of an amphibious training exercise near the Strait. PLA aircraft continued “island encircling exercises” and Navy ships transited the Strait. In July, the PLA conducted a large but routine six-day joint service exercise along the Zhejiang coast.

Once again this year, Beijing blocked Taipei’s receiving an observer invitation to the World Health Assembly (WHA) in May and blamed the Democratic Progressive Party’s (DPP) refusal to accept the 1992 Consensus for this outcome. Taipei’s allies again presented a resolution calling for Taiwan to be invited, which received somewhat broader support, but was defeated. Taipei’s health minister, Chen Shih-chung, traveled to Geneva to advance Taiwan’s case, met extensively with other representatives, and received an award from the private World Federation of Public Health Associations for his work supporting the WHO’s Global Health Charter. Despite being banned, Taipei announced May 26 a donation of $1 million to the WHO to fight the Ebola virus.

Beijing significantly increased efforts to persuade Taipei’s remaining diplomatic allies to recognize the PRC. On April 30, the Dominican Republic established diplomatic relations with Beijing. On May 24, Burkino Faso announced it was terminating relations with Taipei. Two days later, Ouagadougou established diplomatic relations with Beijing. In a break with past practice, at the accompanying press conference, Foreign Minister Wang Yi publicly called for Taiwan’s one remaining ally in Africa, eSwatini (formerly Swaziland), to follow suit by joining the international trend to accept Beijing’s One China principle.

This quick succession of events particularly angered President Tsai. She lashed out at “China’s serial acts of suppression” and China’s use of dollar diplomacy to lure away Taiwan’s allies. She said China’s actions challenge Taiwan’s bottom line and damage cross-strait relations. There is ample evidence of further efforts to undermine Taiwan diplomatically. On Aug. 21, Taipei unilaterally severed its diplomatic relations with El Salvador, saying that San Salvador had asked Taipei for an astronomical sum of foreign aid and support for the ruling party’s election expenses. This step occurred hours before El Salvador established diplomatic relations with Beijing. Tsai again harshly criticized China, charging that its actions violated Taiwan’s bottom line, which she defined as the sovereignty of the Republic of China (Taiwan).

Beijing has significantly increased pressure on foreign businesses to comply with Beijing’s views about Taiwan. Social media pressures in China forced the GAP company to apologize for a T-shirt with a map of China that did not include Taiwan. In April, the Civil Aviation Administration (CAA) sent letters to some 40 foreign airlines with instructions on how they should refer to Taiwan. It would no longer be sufficient to avoid listing Taiwan as a country; firms must use language that indicates Taiwan is part of China. Some have speculated that netizen pressure forced the government’s hand; the specificity in the CAA instruction indicates official commitment to this course. The White House condemned this “political correctness” as “Orwellian nonsense.” The Taiwan Affairs Office (TAO) explained that companies doing...
business in China must respect China’s sovereignty and territorial integrity. Conscious of the China market, most airlines complied. The US government publicly and privately objected to Beijing’s requiring private companies to accept its views. The main US airlines initially chose to only designate their destination in Taiwan as Taipei (TPE), which the CAA characterized as an incomplete response. In late August, United Airlines used currency names to refer to China, Taiwan and Hong Kong and Macau. How this issue will end is not yet clear.

While transiting Los Angeles in August, President Tsai stopped at an 85°C Bakery Café, a Taiwanese chain with outlets also in China. Netizens in China accused Café of supporting Taiwan independence. The chain issued a statement supporting the 1992 Consensus, which disappointed some Taiwanese clients without satisfying those in China. The netizen campaign continued, the company was hacked and delivery services dropped Café from their platforms. The company's stock plunged. In this instance of pressure on companies, the netizens were the driving force.

Sports was another area in which Beijing significantly increased pressure on Taiwan. At a meeting of the East Asia Olympic Committee (EAOC) convened by Beijing in July, the EAOC decided to revoke its 2014 decision designating Taichung as host for the 2019 East Asian Youth Games. The TAO said this step was justified because the DPP administration had allowed a proposal to have a referendum advocating that Taipei participate in the 2020 Olympics under the name Taiwan to proceed through the required signature collection phase. Taichung, now led by a DPP mayor who had spent nearly $20 million on the required facilities, appealed the decision. The appeal was rejected. Beijing also sought to have the Asia Rugby Council cancel Taipei’s hosting of the Asia Under-19 tournament in Taipei, but this was rejected. And, Beijing pressured organizers of the first Gay Games in Paris to require Taipei not to use the name Taiwan. When the games opened Aug. 6, however, Taiwan’s team entered carrying the ROC flag and a banner proclaiming Taiwan the first country in Asia to legalize equal marriage.

Beijing’s policy framework

These pressures are in keeping with policies enunciated at the 19th Party Congress in October 2017, though specific punitive actions are never mentioned in policy statements. General Secretary Xi Jinping has left implementation to others. His one recent engagement with respect to Taiwan was a meeting with former KMT Chairman Lien Chan in July. Xi predictably emphasized the centrality of one China and the 1992 Consensus and reiterated Beijing’s determination to oppose and deter Taiwan independence. Pressure on Taiwan is to further those interests, with the military exercises described as underlining opposition to independence.

Xi also reiterated the peaceful development of cross-strait relations, particularly Beijing’s new incentives to facilitate Taiwanese living and working on the mainland. These United Front measures are designed to further integrate Taiwan with the mainland. Various cities and provinces have announced the steps they have taken to implement the “31 Incentives.” In June, Beijing convened its annual Straits Forum, which brought some 8,000 participants from Taiwan, many at Beijing’s expense, to Fujian for programs about Beijing’s peaceful development programs. In August, Fujian province began supplying water through a pipeline to Kinmen under a 30-year contract. Also in August, Beijing announced that Taiwanese, along with people from Hong Kong and Macau, would no longer have to obtain a work permit to hold a job in China. From Sept. 1, Taiwanese, again along with those from Hong Kong and Macau, will be eligible to obtain PRC residence cards. These new cards will make it easier for holders to perform a host of daily tasks in China. However, the cards are an element in China's domestic surveillance system containing the holder’s photo, fingerprints, and 18-digit identification number.

TAO Director Liu Jieyi has recently taken particular care to show his loyalty to General Secretary Xi. For example, when the TAO announced the new residence card, the first point made was that the policy would “sincerely carry out the important views of General Secretary Xi Jinping concerning Taiwan affairs work.” In July, Liu authored a lengthy article entitled “Thoroughly Study Xi Jinping’s Thought on Party Building; Comprehensively Implement Party Building in the Taiwan Affairs System.” Liu clearly is attuned to Beijing’s political winds.
Tsai’s policy and domestic pressures

President Tsai has reacted to Beijing’s pressure by asserting that Taipei will not succumb to coercion. She has reiterated her commitment to preserve the status quo of peace and stability, which she charges Beijing is undermining. She has called for both sides to work to restore trust and urged talks without political preconditions. Premier Lai Ching-te has repeated the commitment to conduct relations according to the Constitution and Cross-Strait Statute. However, he continued at times to refer to himself as a worker for Taiwan independence.

Beijing’s offensive has kept Taipei in a defensive posture. Tsai’s strategy in response has been to improve relations with major powers, particularly the US and Japan. The administration has expressed appreciation for US support. Taipei has also persisted in strengthening regional ties through its New Southbound Policy (NSP). Concerned about further diplomatic setbacks, Tsai visited diplomatic allies Paraguay and Belize in August and invited other allies to Taiwan. She has also continued her attention to Taiwan’s defense, attending events to highlight Taiwan’s indigenous defense programs. She supported a modest (5.6 percent) increase in defense spending in the 2019 budget. Premier Lai has taken the lead in pursuing efforts to strengthen the economy, with particular attention to cooperation with US high-tech firms and preparations for possible negotiations to join the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP).

Taipei took steps to counter Beijing’s United Front efforts. The Mainland Affairs Council (MAC) has more carefully scrutinized PRC official visitors and has denied travel by some TAO and United Front personnel. Taipei prosecutors have investigated the China Unification Promotion Party (CUPP), led by ex-gangster Chang An-lo, to determine whether it is receiving financial support from China. In June, prosecutors indicted New Party spokesman Wang Bing-chung on espionage, alleging cooperation with convicted PRC spy Zhou Hongxu and accepting financial support from the TAO to operate a website. Premier Lai has urged the public to beware of fake news and United Front efforts to hack or influence the November elections.

Beijing’s pressure on Taiwan has stimulated domestic pressures on President Tsai. The KMT opposition has faulted the DPP for its diplomatic failures and urged adoption of the 1992 Consensus, but it has also criticized Beijing for suppressing Taiwan internationally. The New Power Party (NPP) too criticized Beijing, but attacked Tsai for being too soft on China. The NPP urged Tsai to drop support for the status quo, to promote the island internationally as “Taiwan,” and to revise the ROC constitution. Beijing’s canceling of Taichung’s hosting of the 2019 East Asia Youth Games has fired up the Team Taiwan 2020 campaign to garner signatures for its proposed referendum on using the name Taiwan at the 2020 Olympic Summer Games. This is a quixotic campaign because the IOC has informed Taipei that it must continue using the name “Chinese Taipei.” But the effort will be politically important. The Formosa Alliance, whose leaders include former presidents Lee Teng-hui and Chen Shui-bian and NPP Chairman Huang Kuo-chang, held its first meeting in June to promote a separate referendum campaign to amend the Referendum Act to permit a referendum on Taiwan independence in 2020.

At the DPP Congress in July, one delegate proposed to delete the Independence Clause in the 1991 DPP Charter. This is a step that had been given some consideration in the past and that many in Beijing would see as positive. However in this period of hostile actions by Beijing, the proposal was promptly and unanimously defeated.

President Tsai has not changed her cross-strait policy but adjusts her language to circumstances. When being careful, she speaks of Mainland China. In her, at times, angry responses to diplomatic setbacks, she speaks of China and Taiwan. Beijing sees such words as reflecting her pro-independence views. Tsai and MAC Chairman Chen Ming-tong have repeatedly contrasted Taiwan’s democracy with Beijing’s authoritarianism. Tsai did this in a tough statement on June 4 that also contrasted Beijing’s unwillingness to confront the Tiananmen tragedy with Taiwan’s current transitional justice process examining Taiwan’s authoritarian period. In a subsequent interview with AFP, Tsai called for democracies to unite in resisting China. The MAC continued appealing for the release of imprisoned Taiwanese democracy activist Lee Ming-che. And, the MAC has been more active in criticizing Beijing’s
action toward Hong Kong and in expressing support for democratic and localist politicians in Hong Kong. To a large extent, these are feel-good actions, but ones that resonate with the DPP base.

**November local elections**

On Nov. 24, voters in Taiwan will elect candidates for thousands of municipal, county, and township posts as part of island-wide “9-in-1” local elections. The mayoral races for Taiwan’s six most populous municipalities are the most significant and hotly contested, with campaigning already underway. While each candidate’s local appeal will have the largest bearing on the outcome of individual races, the overall results will be an important indicator of DPP, KMT, and third-party support in the lead-up to the 2020 presidential and legislative elections just 14 months later.

The DPP is seeking to defend its historic gains from the 2014 local elections and, in the most optimistic outcome, capture New Taipei City. The party is confident most of its incumbents will win re-election. Opinion polls indicate popular DPP Taoyuan mayor Cheng Wen-tsyan will coast to victory in a three-way race against his KMT opponent and an independent still smarting over her narrow loss in the KMT primary. In Taichung, DPP mayor Lin Jia-long’s handling of the East Asian Youth Games incident appears to have boosted his popularity as he heads into a tight re-election race. DPP candidates in the party’s strongholds of Tainan and Kaohsiung face no serious KMT opposition as they seek to replace outgoing DPP mayors.

The KMT is endeavoring to reverse its recent electoral failures and win back the Taipei mayor’s office from independent Ko Wen-je, maintain its hold on New Taipei City, and perform well in central Taiwan. The party nominated New Taipei Deputy Mayor Hou You-yi and Legislative Yuan legislator Lu Shih-yen as its mayoral candidates for New Taipei and Taichung, respectively. Both are perceived as strong candidates. Meanwhile, the KMT has sought to consolidate support among its base by opposing the Tsai administration’s pension cuts for military personnel, teachers, and civil servants that went in effect in July.

The DPP decided not to back independent Taipei mayor Ko Wen-je in his reelection bid. The DPP party chapter in Taipei opposed supporting Ko because he had repeatedly voiced support for Xi Jinping’s slogan “one cross-strait family.” Although the party leadership feared running a separate candidate risked throwing the race to the KMT, it agreed to nominate the DPP’s Pasuya Yao. Some DPP officials in the Taipei city government, however, support Ko’s reelection. Despite the DPP’s abandonment of him, Ko has garnered robust grassroots support for his campaign and continues to lead his closest rival, KMT candidate Ting Shou-chung, in most polls. A decisive win could whet Mayor Ko’s interest in the 2020 presidential election.

The DPP’s local candidates have embraced President Tsai’s reform program and welcomed her at campaign events. At the DPP’s national congress in July, Tsai framed the election as a battle between proponents and opponents of reform. Some DPP candidates, however, have quietly expressed concern that the party’s pension, labor, and agricultural reforms will rally the KMT base and make the election significantly tighter than in 2014. An outcome in which the party’s candidates win in four major cities and most counties would consolidate Tsai’s position and avoid internal dissent. Nevertheless, given the magnitude of the DPP’s 2014 victory, some slippage is to be expected.

The KMT is hoping to capitalize on the Tsai government’s low approval ratings, but the party continues to be plagued by low popularity, factional infighting, and financial difficulties. Former KMT candidates have also decided to run as independents in competitive races for Chiayi mayor and Hsinchu county commissioner due to their unhappiness with the party’s primary selection process. The KMT continues to face cash flow problems thanks to the freeze of its assets by the Ill-gotten Party Assets Settlement Committee.

The pro-reform, pro-independence New Power Party, which did not exist at the time of the 2014 local elections, is running 34 city and county council candidates, competing with the DPP for younger voters. Should the party elect a large proportion of its candidates, that would be a step toward consolidating its position as the third largest party, but far behind the DPP and KMT.

**US-Taiwan relations**

As Beijing has ratcheted up pressure on the Tsai government, the Trump administration has
taken steps to demonstrate US support for Taiwan. State Department officials responsible for Taiwan policy denounced China’s poaching of Burkina Faso and the Dominican Republic in April and May, charging these actions upset the cross–strait “status quo.” In July, two US Navy destroyers passed through the Taiwan Strait in the first such transit since 2007, an action that was interpreted as a reaction to PLA exercises. The White House, on Aug. 23, issued an unusually pointed statement excoriating El Salvador’s decision to establish relations with Beijing and declaring that “The United States will continue to oppose China’s destabilization of the cross–Strait relationship and political interference in the Western Hemisphere.”

Congress also has been active in its efforts to shore up support for Taiwan. In July and August, the House and Senate passed the FY 2019 National Defense Authorization Act (NDAA), which includes a number of provisions aimed at strengthening US–Taiwan defense ties. The law requires DOD to conduct a comprehensive review of Taiwan’s defense capabilities and provide specific recommendations to Congress on how the United States can help to improve the island’s military preparedness. The NDAA also recommends, inter alia, the timely sale of US military equipment to Taiwan and exchanges between senior military officials. Senate language recommending US military personnel participate in Taiwan’s annual Han Kuang exercises was removed from the final version of the bill. In addition to the NDAA, Sen. Cory Gardner, chairman of the Senate Foreign Relations Committee’s Asia subcommittee, announced after Taiwan’s loss of El Salvador, that he was preparing legislation to discourage Taiwan’s remaining diplomatic allies from switching ties. The proposed legislation would give the State Department authority to downgrade ties with those countries that abandon Taipei.

The American Institute in Taiwan (AIT) dedicated its new $250 million building complex in Taipei on June 12. President Tsai, former President Ma, and several members of the current DPP Cabinet attended the ceremony. The Trump administration dispatched Assistant Secretary of State for Educational and Cultural Affairs Marie Royce, who joined AIT Chairman James Moriarty and Representative Gregg Harper at the ceremony. In his remarks, Moriarty called the building “a testament to the strong U.S. commitment to Taiwan, the close and cooperative ties between our people, and the enduring friendship between the United States and Taiwan.”

Figure 2Remarks by Chairman James Moriarty at the Dedication Ceremony of AIT’s New Office Complex. Photo: AIT

There was speculation in the lead–up to the ceremony that the Trump administration might send a senior executive branch official such as National Security Advisor John Bolton or even a Cabinet member, especially in light of passage of the Taiwan Travel Act in March. Why the administration did not send a high–ranking official is unclear. The week prior to the ceremony, the South China Morning Post reported that Treasury Secretary Steven Mnuchin, when in Beijing for trade negotiations in May, notified his Chinese interlocutors that President Trump would refrain from sending a Cabinet member. Separately, Trump would be meeting with Kim Jong Un in Singapore, also on June 12. The president’s desired optics surrounding that summit may have influenced his decision to not send a high–profile representative for the AIT building dedication on the same day. Either way, it was Trump who decided not to send a Cabinet official.

The State Department arranged for President Tsai to receive exceptionally courteous treatment when transiting Los Angeles and Houston en route to and from Taiwan’s diplomatic allies Paraguay and Belize in August. As usual, Beijing opposed Tsai being allowed such transits. In southern California, she delivered her first public remarks in the US at the Ronald Reagan Presidential Library. In Houston, Tsai became the first sitting Taiwan president to enter a US federal building when she toured NASA facilities. Throughout these visit–like “transits,” the Taiwan press was able to report on Tsai’s activities in real time, a benefit recommended in the Taiwan Travel Act.
The courtesies were extended as a response to Beijing’s actions against Taiwan.

There are indications that the Trump administration sees a place for Taiwan within its unfolding Indo-Pacific regional strategy. At a Heritage Foundation event in July, Assistant Secretary of Defense for Asian and Pacific Affairs Randy Shriver called Taiwan a “partner” that “can make valuable contributions” in promoting a free and open Indo-Pacific. Reflecting longstanding US concerns that Taiwan is spending too little on defense, Principal Deputy Secretary of Defense for Asian and Pacific Affairs David Helvey remarked at a think tank event in June that Taiwan’s role in the Indo-Pacific strategy is maintaining the “right type of investment” in military capabilities to ensure the “right type of deterrence and balance” across the Taiwan Strait.

Looking ahead

While cross-strait issues are not significant factors in local elections, the results in November will have implications for future cross-strait relations. Significant DPP losses would likely trigger a challenge to Tsai’s leadership and further complicate cross-strait relations. The KMT’s results may indicate whether it can continue as a constructive counterpart for the CCP. A big Ko Wen-je win in Taipei would inject him into the 2020 presidential contest, and that would be a significant new element.

The steps Beijing may take to further isolate Taiwan and pressure Tsai bear watching. How Taiwan may be affected by the US-China trade confrontation is an open question.
CHRONOLOGY OF CHINA-TAIWAN RELATIONS
MAY – AUGUST 2018

April 30, 2018: China and Dominican Republic establish diplomatic relations.

May 5, 2018: White House criticizes Beijing’s pressure on airlines as “Orwellian nonsense.”

May 7, 2018: Beijing states Democratic Progressive Party (DPP) is responsible for Taipei not being invited to World Health Assembly (WHA).

May 10, 2018: US-Taiwan Defense Business Forum is held in Kaohsiung.

May 11, 2018: PLA aircraft encircle Taiwan in both directions with first SU-35 participation.

May 20, 2018: Solomon Islands Prime Minister Rick Houenipwela visits Taiwan.

May 21, 2018: Taiwan Health Minister Chen Shih-chung holds press conference in Geneva during WHA.

May 22, 2018: The proposal concerning Taiwan as an observer is rejected at WHA.

May 24, 2018: Burkino Faso terminates diplomatic relations with Taipei.

May 26, 2018: President Tsai announces $1 million donation to WHO to fight Ebola virus.


May 29, 2018: Haitian President Jovenel Moise meets President Tsai in Taipei.


June 4, 2018: President Tsai issues strong statement on Tiananmen anniversary.

June 5, 2018: PRC convenes Tenth Straits Forum in Fujian.

June 6, 2018: King Mswati III of eSwatini visits Taipei.

June 12, 2018: AIT dedicates new office building in Taipei.

June 25, 2018: In AFP interview, President Tsai calls for democratic countries to unite in resisting China.

July 1, 2018: Phased pension reductions for civil servants and military personnel take effect in Taiwan.

July 7, 2018: Two US Navy Aegis destroyers transit Taiwan Strait.

July 9, 2018: Taipei announces donation of $1 million to Global Anti-ISIS coalition for demining.

July 11, 2018: US Environmental Protection Agency Principle Deputy Assistant Secretary Jane Nishida visits Taiwan.


July 13, 2018: Foreign Minister Joseph Wu visits El Salvador, meets President Salvador Sanchez Ceren.

July 15, 2018: DPP holds annual congress.

July 17, 2018: President Tsai presides at commissioning of Apache helicopters.

July 18, 2018: Mainland Affairs Council (MAC) Minister Chen Ming-tong speaks at Heritage Foundation in Washington.

July 23, 2018: Six-day PLA live-fire exercise begins off Zhejiang coast.

July 24, 2018: East Asia Olympic Committee (EAOC) revokes the right of Taichung to host 2019 East Asia Youth games.
July 26, 2018: Marshall Islands President Hilda Heine visits Taiwan.

July 28, 2018: Beijing blocks Vienna performance by Taiwan youth choir.

Aug 5, 2018: Kinmen marks start of Fujian-Kinmen water supply project.

Aug. 11, 2018: New AIT Director Brent Christensen arrives in Taipei.

Aug. 13, 2018: President Tsai transits Los Angeles.

Aug. 13, 2018: Taiwan Curriculum Review Commission decides to include Chinese history in East Asia history curriculum.

Aug. 15, 2018: President Tsai attends inauguration of President Mario Abdo Bernitez in Paraguay.

Aug. 16, 2018: Beijing announces program to issue residence cards to residents from Taiwan, Hong Kong and Macau.

Aug. 17, 2018: President Tsai meets Prime Minister Dean Barrow in Belize.

Aug. 19, 2018: President Tsai visits Johnson Space Center during transit of Houston.

Aug. 20, 2018: KMT holds national congress, vowing to “hit a home run” in local elections.

Aug. 21, 2018: Taipei severs diplomatic relations with El Salvador.

Aug. 22, 2018: International panel reviews Taiwan’s first report related to the UN Convention Against Corruption.

