President Tsai Ing-wen triumphed over her populist Kuomintang (KMT) opponent Han Kuo-yu in Taiwan’s January 11, 2020 presidential election, garnering 57.1% of the vote to Han’s 38.6%. Tsai’s Democratic Progressive Party (DPP) also retained its majority in the Legislative Yuan (LY), albeit with the loss of some seats to the KMT and third parties. While there has been considerable attention to Beijing’s influence operations, the election illustrated Beijing’s limited ability to manipulate Taiwan elections. The outcome portends continued deadlock and tension in cross-strait relations in the coming months. Meanwhile, Taipei and Washington have strengthened ties by launching a series of bilateral and multilateral cooperative projects, intended in part to counter both Beijing’s influence operations and its continuing diplomatic, economic, and military pressures on Taiwan.
Presidential Election Campaign

Throughout the fall campaign, Tsai Ing-wen steadily improved her prospects for winning reelection in the January 11, 2020 presidential election, enjoying a double-digit lead in more reliable December polls. This is a remarkable turn-around from a year ago, when Tsai resigned as DPP party chairperson following her party’s devastating losses in the 2018 local elections. At that time, the DPP was demoralized and divided; now Tsai has the party united behind her. Party chairman Cho Jung-tai is her supporter. Lai Ching-de, her primary opponent, served as her running mate. Former presidents Lee Teng-hui and Chen Shui-bian have endorsed her candidacy. Despite her moderate approach to relations with China, an alliance of pro-independence groups also supports her reelection.

Ironically, Chinese Communist Party (CCP) Chairman Xi Jinping has played a significant role in Tsai’s rebound. In January, Xi forcefully reaffirmed his determination to pursue peaceful reunification under the “one country, two systems” (1C2S) formula. Tsai’s prompt rejection of this long unpopular proposal won wide approval. Pro-democracy demonstrations in Hong Kong since June and the CCP’s support for their harsh suppression have made clearer in Taiwan the dangers inherent in the 1C2S formula. The democracy demonstrators have evoked strong and sustained public support in Taiwan. A mass sympathy rally took place in Taipei on September 29. Tsai has skillfully drawn parallels emphasizing the need to protect democracy on Taiwan and to oppose the CCP’s increasingly authoritarian policies. Tsai has used existing policies to demonstrate sympathy for Hong Kong by accepting fleeing Hong Kong activists seeking temporary residence in Taiwan and welcoming students from disrupted Hong Kong universities. Beijing’s opposition to compromise with democracy activists has fueled continuing demonstrations in Hong Kong, which has kept the issue alive throughout the Taiwan presidential campaign to Tsai’s benefit.

Divisions within the KMT opposition and the lackluster and problem-prone campaign of Tsai’s opponent, Kaohsiung Mayor Han Kuo-yu, have also helped Tsai. The KMT primary campaign was divisive. Han’s main opponent, former Hon Hai chairman Terry Gou (Kuo Tai-ming) decided to withdraw from the KMT in September and briefly considered running independently. It was not until November that Han chose a running mate, former Premier Simon Chang, and only in December did he appoint a campaign chairman, former party chairman Chu Li-lun. In the face of strong public interest in Hong Kong, Han had difficulty promoting his populist economic message and exploiting public dissatisfaction with Tsai’s domestic reforms. Han made unrealistic “get rich quick” promises of economic growth and accused the DPP of pervasive corruption. He made offensive remarks about immigrants, and in October, outrageously described Taiwan as China’s “bastard” child. His campaign was hurt by revelations that he owns a luxury apartment unaffordable to ordinary Taiwanese and allegations that his in-laws are operating an unlicensed gravel business. When public opinion polls showed Han’s support steadily declining, James Soong, the founder of the People’s First Party (PFP) and perennial candidate, saw an opportunity to again enter the presidential race, further dividing the pan-blue base that might otherwise support Han.
Han has also been hurt by the perception that he is both pro-China and without significant ties with the US. Han has defined himself as the candidate who can restore cross-strait peace and strengthen economic ties with China. However, DPP criticism and the Hong Kong demonstrations have kept Han on the defensive on cross-strait issues. Han has been forced to defend himself by affirming his support for Taiwan’s separate interpretation of the 1992 Consensus on One China and his opposition to Beijing’s 1C2S formula. After former President Ma Ying-jeou of the KMT said Taiwan should be open to unification, Han had to reiterate that unification was not on his agenda. Throughout the fall, Han considered whether he should visit Washington, as previous opposition candidates have done. In October, he announced that he would not, creating further questions about his relations with the US.

**The Legislative Yuan Elections**

In addition to the two major parties, three other significant parties and many minor parties contested the LY elections. The PFP shares the pan-blue side with the KMT. The reformist, pro-independence New Power Party (NPP) competes with the DPP on the pan-green side. The Taiwan People’s Party (TPP), founded by Taipei Mayor Ko Wen-je in August, aims to appeal to the roughly 50% of voters who do not identify with either of the two main parties. The LY elections consist of three parts: 73 single member district seats, 34 party list seats and six seats reserved for Taiwan’s original indigenous people.

Here too the DPP is running a reasonably unified campaign, with few disaffected members opting to run against the party’s authorized candidates. By contrast, again, the internal struggle within the KMT between candidate Han and party chairman Wu Den-yih has hampered the KMT. The infighting was symbolized by the struggle over the KMT’s original party list slate, which included several old-line pro-unification figures and placed Wu high enough on the list to guarantee his election. This proposed list was so harshly criticized within and outside the party that it was revised, with Wu moved lower to a place where he would only be elected if the party did extremely well. Nevertheless, the dissatisfaction with DPP reforms, reflected in the party’s local election defeat a year ago is still real, and could result in the KMT doing well in the district LY races.

The TPP is the most interesting new element in the LY races. Mayor Ko has said that ideally the LY should be made up of three parties, none of which has a majority. He clearly aims for the TPP to become the swing party in a new LY. The TPP has nominated 18 district candidates and a party list lead by young, progressive figures. The nominees include some former DPP and KMT members, as well as independents, including one affiliated with Terry Gou. Gou has joined Ko for campaign photos with the TPP candidates, and Ko has hinted at financial support from Gou. Polling indicates that the TPP will draw more support away from the DPP than from the KMT. As the TPP is polling slightly over 10%, it is quite certain that it will win a few seats in the new LY. Despite its recent internal problems, the NPP is also likely to have some members in the new LY. Whether the PFP will be represented remains uncertain.

**Beijing’s Approach**

Beijing is concerned that Tsai will be freer to pursue her “independence” agenda if elected for a second term. That Lai Ching-de is her running mate, and that Lai reiterated after his nomination that he is “realistic worker for Taiwan independence” has reinforced that fear. The DPP retaining a majority in the new LY would only add to Beijing’s concerns.

As noted, CCP policy has helped Tsai’s campaign and consolidated opposition in Taiwan against the 1C2S formula. The CCP leadership may well believe that crushing the Hong Kong democracy movement will ultimately be beneficial to its Taiwan policy by conveying a message that resistance is impossible. Regardless, Beijing’s Taiwan policy has sought to undermine Tsai through constant criticism, through increased international pressures (see below), through election interference, and through continued efforts to integrate Taiwan and to co-opt Taiwanese economically and socially.

The Taiwan Affairs Office (TAO) of State Council in Beijing has blamed the DPP for such pressure. After the Solomon Islands switched diplomatic relations to Beijing, Xiakedao, a well-connected WeChat account, threatened that if the DPP didn’t change its separatist ways, Taiwan’s allies could be reduced to zero. When Chinese tourist arrivals were substantially lower in the fall (because of restrictions Beijing imposed earlier in the year), Beijing blamed the DPP and
its independence policies. Each time Taiwan was excluded from an international meeting, the TAO reiterated this was because the DPP had not accepted the 1992 Consensus on One China. When Lai reiterated his pro-independence stance, the TAO said that his remarks threaten cross-strait peace and stability.

At the same time, Beijing has continued to highlight the opportunities available through closer economic cooperation. In early November, the State Council announced 26 new measures, half to benefit Taiwanese companies and half to help Taiwanese individuals on the mainland. The economic measures state that Taiwan companies could compete in several important sectors on an equal basis with domestic companies. The Tsai administration dismissed the new measures as a plot to influence the elections. However, the Taiwan General Chamber of Commerce described some aspects of the measures as concrete and beneficial. In December, a large number of Taiwanese enterprises were invited to Shanghai for a high-profile forum on opportunities for Taiwan in the Yangtze Delta Development Program. In discussing these initiatives, TAO Director Liu Jieyi again stressed that only when cross-strait relations are good can Taiwan grow and Taiwanese prosper. Liu’s theme dovetailed with Han Kuo-yu’s proposals for strengthening economic ties with China.

Countering PRC Influence Operations

Tsai and officials in her administration have repeatedly expressed concern about the threat of Chinese election interference. KMT officials have seldom mentioned the issue. US Assistant Secretary for East Asia and Pacific Affairs David Stilwell and other State Department officials, as well as American Institute in Taiwan Director Brent Christensen have expressed concerns similar to the DPP's.

Beijing’s manipulation of traditional and social media and its use of united front contacts to influence the elections have continued. However, it is not easy to document their actions in real time. The press has not reported specific examples of Chinese interference. Most of the stories of social media manipulation have involved Taiwanese. For example, the activities of social media influencer Slow Yang (Yang Huei-ru) and her “green camp internet army” have been in the news, with allegations that she has received funds from the government and politicians of the main parties to hype particular stories.

Despite the paucity of examples, several incidents have kept the Chinese interference issue before the public. In November, the defection of alleged PRC intelligence officer Wang Liqiang in Australia led to the detention of two possibly related Chinese citizens entering Taiwan on suspicion of election interference and espionage. In December, retired Gen. Luo Wenshan, chairman of the pro-China Chinese Huangpu Four Seas Alliance Association in Taiwan, was found guilty of accepting NT$10 million (about US$333,000) from Hui Chi-ming, a Hong Kong member of Beijing’s Chinese People’s Political Consultation Conference (CPPCC), and for using the funds to buy election advertisements supporting former President Ma in 2008 and 2012. Taipei prosecutors are investigating several travel agencies and shell organizations for orchestrating a scheme that used false letters of invitation and fictitious itineraries to facilitate the unauthorized travel of CCP officials and operatives to Taiwan. Chang An-le, the founder of the local China Unification Promotion Party (CUPP) has been questioned as part of this investigation.

Washington and the Tsai administration have conducted programs to counter the threat. In September, the US and Taiwan-led Global Cooperation and Training Framework (GCTF) conducted its second conference on Defending Democracy Through Media Literacy in Taipei. The US has also assisted Taiwan in urging the US social media companies block Chinese election interference. In November, Google announced that, during the campaign, it would ban platforms related to the Taiwan election and Taiwan election-related advertisements. Facebook announced that it would release the names of election advertisement purchasers and only allow Taiwan citizens to purchase ads. Subsequently, Facebook announced actions it had taken to remove such content.

The DPP has also promoted new legislation to constrain China’s influence operations. The initial aim was to pass a “Chinese agents” bill, similar to the US Foreign Agents Registration Act. KMT legislators saw this as a threat to people’s freedom of speech and association when taking part in legitimate cross-strait exchanges. As it proved difficult to reach agreement on a definition of a Chinese agent, this legislation was postponed indefinitely. In
late November, the DPP proposed an alternative “anti-infiltration” bill that would penalize persons who accept guidance or funding from China to contribute to political organization, election campaigns and other political activities. The DPP planned to push this bill through the LY by year end. Its plan was roundly criticized in the December TV debates and in numerous public forums by the KMT and other pan-blue actors on both substantive and procedural grounds. The bill was adopted on Dec. 31. As expected, the TAO criticized both these initiatives as blatant attempts to restrict cross-strait exchanges. In December, the LY also adopted amendments that will broaden the scope and increase penalties under the National Intelligence Service Act. The amendments strengthen means to counter covert election interference.

**Strengthening US-Taiwan Ties**

Washington and Taipei took steps to consolidate their already excellent relationship. Most notably, the two governments launched a series of bilateral and multilateral cooperative initiatives that are intended to counter PRC pressure against Taiwan as well as enhance Taiwan’s constructive role within a free and open Indo-Pacific (FOIP).

The State Department released a report on the execution of its Indo-Pacific vision to date, with Taiwan receiving several mentions. As revealed by the Trump administration in 2017, the US' Free and Open Indo-Pacific (FOIP) concept rests on three pillars: transparent economics, good governance, and security partnerships.

In light of FOIP’s governance pillar and in recognition of Taiwan’s vibrant democracy as a model for the region, the US and Taiwan held their inaugural meeting of the US-Taiwan Consultations on Democratic Governance in the Indo-Pacific Region on September 12 in Taipei. The forum is intended to “formalize, regularize, and deepen cooperation” between the United States and Taiwan on promoting good governance in the Indo-Pacific. Scott Busby, deputy assistant secretary of state in the Bureau of Democracy, Human Rights and Labor headed the US delegation.

To help Taiwan maintain its remaining diplomatic allies in the South Pacific, as well as counter growing Chinese influence in the region, the US and Taiwan held their first US-Taiwan Pacific Islands Dialogue on October 7 in Taipei. Ambassadors from Nauru, Tuvalu, and the Marshall Islands posted to Taiwan attended the dialogue. Sandra Oudkirk, Deputy Assistant Secretary of State for Australia, New Zealand, and the Pacific Islands represented the United States. The dialogue, to be held annually, will explore ways Washington and Taipei can team up to meet the specific development needs of Taiwan’s Pacific allies.

**Figure 3: The Pacific Islands Dialogue was held on Oct. 7, 2019. Photo: AIT**

The US, Taiwan, and Japan also organized some workshops under the Global Cooperation and Training Framework (GCTF), a platform for Taiwan to share its expertise with the world despite its international isolation. In September, Taipei hosted a GCTF workshop on “Defending Democracy through Media Literacy,” with 12 countries participating. In November, Australia joined the three GCTF sponsoring countries to host a workshop in Taipei on “Good Energy Governance in the Indo-Pacific.” US Deputy Assistant Secretary of Energy Elizabeth Urbanas represented the US side at the forum, which included 11 participant countries, excluding the hosts.

The US military continued to fly and sail around Taiwan even as the PLA reduced military exercises around Taiwan during the campaign. Two US warships made separate voyages through the Taiwan Strait in September and November, bringing the total number of US Navy transits in 2019 to nine. China’s first domestically produced aircraft carrier also passed through the Taiwan Strait on November 17, sending Taiwan fighter jets and navy reconnaissance vessels scrambling. On December 4, two US B-52 bombers stationed in Guam entered Taiwan’s flight information region as it undertook a flight over the East China Sea to airspace south of Okinawa.
Taiwan’s *United Daily News* revealed in late November that US Deputy Assistant Secretary of Defense for East Asia Heino Klinck had made an unannounced visit to Taipei days earlier. Klinck is the most senior Pentagon official to visit the island in a decade. The same week of Klinck’s visit, the LY approved, with KMT support, an $8.1 billion multi-year special budget for the purchase of 66 F-16 Block 70 fighter aircraft from the United States. In December, Taiwan’s Air Industry Development Center (AIDC) and Lockheed Martin announced plans to establish an F-16 maintenance center in Taiwan.

The US Congress advanced some Taiwan-friendly legislation. The Senate on October 29 passed the Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act, which would require the executive branch to advocate for Taiwan’s membership in international organizations. The House of Representatives is expected to consider the legislation in 2020. The House on December 11 also passed the Fiscal Year 2020 National Defense Authorization Act, which contains provisions encouraging US cybersecurity cooperation with Taiwan and mandates a report detailing Chinese interference in Taiwan’s January 11 elections. President Donald Trump signed the authorization bill into law on December 20.

There have been renewed calls for a US-Taiwan free trade agreement by political figures in both Taipei and Washington. Tsai reiterated her desire to sign a trade pact with the United States when meeting Deputy Assistant Secretary of Commerce Ian Steff in December. On December 20, 161 members of the US House of Representatives sent a bipartisan letter to US Trade Representative Robert Lighthizer, urging USTR to begin discussions with Taiwan on “fair, reciprocal, and high-standard” bilateral trade agreement. US trade negotiators last held formal talks with their Taiwan counterparts in 2016, under the TIFA framework.

**International Pressure**

Beijing continues to squeeze Taiwan’s international space wherever possible and make efforts to poach Taipei’s diplomatic partners.

The Solomon Islands government voted to cut ties with Taiwan on September 16. Within the same week, Kiribati, lured by promises of Chinese aid, announced that it was switching recognition to Beijing. The twin losses concerned Taipei and Washington, who worry Taiwan’s four remaining South Pacific allies might follow suit. The US criticized China’s actions as destabilizing to the cross-Strait status quo. The Trump administration also announced that it was reassessing its development aid to the Solomon Islands, and Vice President Mike Pence canceled a scheduled meeting with the prime minister of the Solomon Islands at the UN to further demonstrate the consequences of abandoning Taipei. Washington also found ways to cooperate with Taiwan on programs to benefit its remaining allies, such as the Pacific Islands Leadership Program in Taipei.

Taipei continues to make efforts to shore up relations with its 15 remaining allies. In October, Tsai signed an economic cooperation agreement with political figures in both Taipei and Washington. Tsai reiterated her desire to sign a trade pact with the United States when meeting Deputy Assistant Secretary of Commerce Ian Steff in December. On December 20, 161 members of the US House of Representatives sent a bipartisan letter to US Trade Representative Robert Lighthizer, urging USTR to begin discussions with Taiwan on “fair, reciprocal, and high-standard” bilateral trade agreement. US trade negotiators last held formal talks with their Taiwan counterparts in 2016, under the TIFA framework.

**The Trade War’s Impact on Taiwan**

Contrary to initial expectations, Taiwan has emerged as a big winner in the US-China trade war. A study released by the UN Conference on Trade and Development in November identifies Taiwan as the biggest beneficiary of redirected Chinese exports to the United States. The report found that Taiwan gained $4.2 billion in additional exports at China’s expense through June 2019, ahead of both Mexico ($3.5 billion) and Vietnam ($2.6 billion). This trend continued into the rest of the year, with Taiwan exports to the United States growing at 17.8% between June
and November over their 2018 level, according to Taiwan’s Ministry of Economic Affairs. The Taiwan government now estimates that Taiwan’s GDP growth will reach 2.64% in 2019, while the other former Asian tiger economies will experience weak or negative growth this year. Thanks to Taiwan’s trade war gains and the healthy state of its economy overall, the Taiwan Stock Exchange reached a three-decade high in mid-December.

Taiwan suppliers with extensive processing facilities in China, such as Foxconn and TSMC, also narrowly avoided tariff impact in mid-December, thanks to Trump’s decision to cancel tariffs on $165 billion worth of Chinese imports under the announced but not yet finalized Phase 1 US-China trade deal. These “List 4B” tariffs, had they gone into effect, would have for the first time covered smartphones and laptops, for which Taiwan firms supply the bulk of components globally.

While Taiwan has benefitted from US tariffs on China and shifts in the global supply chain, the island’s technology firms are caught in the middle of the growing US-China technology war. Taipei’s *Economic Daily News* has reported that Huawei has contracted with Foxconn, TSMC, and Largan Precision Co. to produce its 5G phones in 2020. As the US tightens exports controls over technology to China, Washington is beginning to urge its friends and allies to do likewise. Washington in particular is concerned about the export of dual-use items to China. The *Financial Times* reported in early November that US officials have pressed Taipei to restrict the sale of semiconductors by TSMC, Taiwan’s largest chip contractor, to Huawei. Nearly 60% of TSMC’s revenue is generated from sales to US technology firms, but China is its second largest and fastest growing customer. The Tsai administration denied that Washington had ordered it to restrict tech exports to China.

**Looking Ahead**

A number of factors will determine whether Tsai’s re-election will merely continue or further exacerbate current cross-strait frictions and tensions. Whether the DPP maintains a majority in the LY will be an important consideration. Another will be how effectively Tsai can reassure Beijing, and Washington, that she will abide by her commitment not to pursue initiatives that provoke the mainland government. Will Lai Ching-de restrain himself?

If Beijing decides to ratchet up military pressure on Taiwan to warn “separatists,” that would heighten tension and reverberate in Washington. Another factor will be whether the administration in Washington continues to adhere to its current China policy framework or yield to proposals from some in Congress that would challenge Beijing’s redlines. As always, maintaining peace in the strait will require prudence by all parties.
September – December 2019

Sept. 10, 2019: A Canadian naval vessel transits the Taiwan Strait.

Sept. 10, 2019: GCTF hosts forum on media literacy and disinformation.

Sept. 11, 2019: The Taiwan Affairs Office of the State Council in Beijing spokesman urges the Democratic Progressive Party to stop interfering in Hong Kong.


Sept. 12, 2019: Scott Busby, the deputy assistant secretary in the Bureau of Democracy, Human Rights and Labor at the US Department of State, launches US and Taiwan Consultations on Democratic Governance in Indo-Pacific.

Sept. 16, 2019: The government of the Solomon Islands votes to switch relations from Taipei to Beijing; Taipei severs diplomatic relations.

Sept. 19, 2019: Taipei severs diplomatic relations with Kiribati following its decision to switch relations to Beijing.

Sept. 24, 2019: The International Civil Aviation Organization Assembly opens with Taipei’s participation again blocked.


Oct. 15, 2019: The Interpol assembly opens with Taipei’s participation again blocked.

Oct. 18, 2019: Moriarty of the AIT meets Kuomintang presidential nominee and Kaohsiung Mayor Han Kuo-yu.

Oct 21, 2019: Guatemalan President–elect Alejandro Giammattei visits Taipei.


Oct. 29, 2019: The Legislative Yuan (LY) passes a NT$250 billion (US$8 billion) special budget for the F-16 purchase program.

Nov. 4, 2019: The State Department releases its Indo-Pacific strategy report, which includes several mentions of Taiwan.

Nov. 4, 2019: Beijing bars Chinese participants from the International Air Safety Summit in Taipei.

Nov. 4, 2019: The TAO announces 26 new measures to promote cross-strait economic integration.

Nov. 17, 2019: Tsai formally announces that former Premier Lai Ching-de will be her running mate.

Nov. 17, 2019: New People’s Liberation Army Navy aircraft carrier and escorts transit the Taiwan Strait.

Nov. 20, 2019: US Deputy Assistant Secretary of Defense for East Asia Heino Klinck pays an undisclosed visit to Taiwan.

Nov. 23, 2019: The Golden Horse Film Festival and Awards ceremony takes place in Taipei despite a PRC boycott.

Nov. 25, 2019: Two PRC citizens are detained as part of an election interference investigation.
Nov. 26, 2019: US Congressmen Bill Flores and Guy Reschenthaler meet Tsai.

Dec. 1, 2019: UN Climate Change Conference COP 25 opens with Taiwan again barred from participation.

Dec. 7, 2019: British Navy vessels transit the Taiwan Strait.

Dec. 9, 2019: Deputy Assistant Secretary for Manufacturing at the US Department of Commerce Ian Steff visits Taipei and meets Tsai.


Dec. 14, 2019: Facebook removes numerous websites for violating guidelines regarding the Taiwan election.

Dec. 17, 2019: Lockheed Martin and AIDC sign an F-16 aircraft maintenance agreement.

Dec. 18, 2019: Taiwan signs an updated investment agreement with Vietnam.

Dec. 21, 2019: US President Donald Trump Signs the 2020 National Defense Authorization Act, which includes provisions favorable to Taiwan.

Dec. 26, 2019: The People’s Liberation Army Navy Carrier Shandong sails back up Taiwan Strait after its December 17 commissioning.

Dec. 28, 2019: Vice President Chen Chien-jen visits Palau.

Dec. 31, 2019: The ruling Democratic Progressive Party (DPP) pushes the Anti-Infiltration Bill through the LY.