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# COMPARATIVE

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**CHINA- TAIWAN RELATIONS**

## DPP SUFFERS DEFEAT

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The Democratic Progressive Party (DPP) suffered a stunning defeat in Taiwan’s November local elections. Although local issues and personalities were the focus of the campaign, cross-strait economic issues did play a role. The Kuomintang’s (KMT) revival, which improves its prospects in the 2020 legislative and presidential elections, was welcomed in Beijing. While Taipei continues to be concerned about seriously strained US-China relations, Taipei and Washington continue to strengthen their ties.

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## A setback for the DPP

On Nov. 24, Taiwan conducted its nine-in-one local elections electing six big city mayors, 16 county magistrates, city and county councilors, and multiple grassroots officials. The DPP lost seven of the 13 mayor and magistrate positions it had held, and its overall vote count in these elections fell by over 1 million votes to 39.2 percent. The DPP retained only six counties and cities, its lowest number since 1989. By contrast, the opposition KMT party won impressive surprise victories defeating the DPP incumbents in Taichung and Kaohsiung and winning in 15 mayor and magistrate races. Its overall vote count in the mayor/magistrate elections increased by over 1 million to 48.8 percent.

Although Taiwan does not allow exit polling, it appears that the DPP defeat was primarily a negative verdict on President Tsai Ing-wen's domestic policies. "Disliking the DPP" (討厭民進黨) was a catchphrase during the election and in the KMT campaign. Tsai's labor and pension reforms have been particularly controversial. The DPP's economic policies have not delivered hoped-for growth, jobs and prosperity. Han Kuo-yu, the KMT candidate in Kaohsiung, made economic revival a core issue. In several referenda related to energy policy and same-sex marriage, voters rejected core elements of DPP policy. DPP majority whip Ker Chien-ming pointed to his party's support of same-sex marriage as an element in its defeat. Lu Shiow-yen, the KMT candidate in Taichung, made pollution the main issue in her campaign.



Figure 1 Han Kuo-yu, the KMT candidate in Kaohsiung. Photo: Wikipedia

This is not to say that cross-strait tensions played no role in the election. Many in Taiwan are critical of Tsai's cross-strait policy, and many advocate basing cross-strait ties on the 1992 Consensus that President Tsai has refused to endorse. The KMT candidate in Kaohsiung, Han Kuo-yu, made outlandish charges that two decades of DPP rule had turned Kaohsiung into a poor, dirty city. He promised to restore prosperity by growing tourism from China and increasing agricultural exports to China, basing ties with Beijing on the 1992 Consensus. As he won by a large margin in what is part of the DPP's south Taiwan base, the 1992 Consensus and cross-strait economic ties are likely to play a large role in the 2020 elections.

## Beijing's approach toward the campaign

The Chinese Communist Party (CCP) generally avoided public comment on the elections. One of the rare official comments was about the referendum proposing that Taipei participate in the 2020 Olympics under the name "Taiwan." The Taiwan Affairs Office (TAO) criticized that referendum as a Taiwan independence plot. The International Olympic Committee (IOC), under pressure from Beijing, sent a letter reiterating that the approved name "Chinese Taipei" could not be changed and warning that approval of the referendum might compromise Taiwan's participation in the Olympics. Taiwanese voters rejected the proposal by a margin of 1 million votes, apparently valuing their athletes' participation over the identity politics imbedded in the terminology.

The CCP's pressure campaign against the DPP continued during the campaign. There was no let-up in constraints on Taiwan's international space. However, there was a hiatus in the island encircling exercises during the campaign. The PLA Air Force and Navy activity resumed about a month after the election. Beijing's policies that have reduced Chinese tourism, particularly to DPP areas in the south, and that have given preference to KMT counties in China's agricultural purchases together created the context in which Han Kuo-yu devised his campaign plan for restoring growth in Kaohsiung.

There was considerable attention to covert CCP efforts to influence the elections. Beijing has a long history of manipulating the media in Taiwan. There were almost weekly statements by President Tsai, Premier Lai Ching-de,

National Security Bureau (NSB) Director-General Peng Sheng-chu, Mainland Affairs Council Chair Chen Ming-tong, Ministry of Justice Investigation Bureau (MOJIB) Director Liu Wen-chung and other DPP officials alleging media manipulation and misinformation discrediting the DPP. Unfortunately, few concrete examples were cited. The clearest example was an inaccurate social media post on PTT – Taiwan’s most popular online message board – alleging that the Chinese Consulate had aided distressed Taiwan tourists at Osaka’s airport who had not been helped by Taiwan’s representative office. The original post, which had gone viral producing a flood of criticism of DPP representatives in Japan, was traced back to a netizen in Beijing. Another example was a false Taiwan news story that DPP candidate Chen Chi-mai used an earpiece during an election debate, which was then hyped on Taiwan social media sites including by netizens in China. Shortly, before the debate a post from China asserted that Chen would cheat during the debate. The MOJIB stated that it was investigating numerous vote-buying cases including four allegations that Beijing had funneled money through Taiwan businessmen to specific candidates. Another element was the positive coverage that pro-China newspapers and TV stations gave to news about Han Kuo-yu. Hopefully, the government will produce a report that will document the variety and extent of CCP influence efforts.

### **The impasse on core issues continues**

The CCP was relieved that the election revived the KMT as a strong party and potential partner. The Taiwan Affairs Office (TAO) spokesman said the elections showed that people in Taiwan want cross-strait peace and economic development. The CCP sees opportunities to expand its cooperation with the newly elected KMT mayors and magistrates. Their purpose is to show that accepting Beijing’s political conditions will bring economic and other benefits and thus undermine support for Tsai and the DPP. In his address on the 40<sup>th</sup> anniversary of Deng’s Reform and Opening Policy, Xi Jinping indicated the CCP’s basic policy requiring Tsai to accept the 1992 Consensus as the condition for resuming cross-strait contacts will not change.

Tsai Ing-wen resigned her position as DPP chairperson to take responsibility for the defeat. She will remain as president and the DPP will retain its dominant position in the Legislative

Yuan (LY) until 2020. In her resignation statement, Tsai said she would adhere to her core commitments to democratic values and protecting Taiwan sovereignty. Several days later, she said she did not believe voters had signaled a desire for change in cross-strait policy. Having asserted this interpretation, Tsai said she would adhere to her policy to maintain the status quo in cross-strait relations.



*Figure 2 Taiwan’s president, Tsai Ing-wen, center, resigned as leader of the Democratic Progressive Party. Photo: New York Times*

At the start of the New Year, each side reaffirmed its determination. In her New Year’s [address](#), President Tsai called on Beijing to recognize the reality of the “ROC (Taiwan),” to respect the Taiwan people’s commitment to freedom and democracy, and to authorize the resumption of contacts. She did not address Beijing’s political terms. The following day, President Xi reaffirmed his determination to achieve the “peaceful reunification” of the motherland and called for the two sides to explore “one country, two systems” modalities in order to accomplish the great rejuvenation of the Chinese people. Tsai responded promptly, stating that she had not accepted the 1992 Consensus because it is linked to the unacceptable “one country, two systems” proposal and that there is a consensus on Taiwan against that proposal. [Xi’s address](#) seems to reflect a desire to address political issues with a future KMT administration.

### **Post-election developments**

Immediately after his victory, Kaohsiung Mayor-elect Han Kuo-yu stated his intention to set up a cross-strait task force, his support for the 1992 Consensus, and his desire to visit Beijing. Taichung Mayor-elect Lu Shiow-yen and several KMT magistrates expressed similar sentiments. The TAO spokesman responded

cautiously by saying contacts with cities must be based on the 1992 Consensus, on opposition to Taiwan Independence, and on a correct understanding of the nature of cross-strait relations, an indirect reference to the ties being between cities within one China. The new KMT magistrate in Penghu, Lai Feng-wei, was the first to visit Beijing. He met TAO Director Liu Jieyi to discuss tourism and direct air flights.

On Dec. 20, Shanghai Executive Deputy Mayor Zhou Bo led a 135-member delegation to Taipei for the Shanghai-Taipei Forum. At a welcome dinner, Taipei Mayor Ko Wen-je repeated his controversial statement that the people on the two sides of the strait are one family. While Beijing has not required Ko to endorse the 1992 Consensus, this “one family” view, promoted by Xi Jinping, has been the political basis for conducting the Shanghai-Taipei Forum. Zhou told the press that Shanghai would be open for ties with other cities, provided there is a correct understanding of the nature of cross-strait relations.

Taichung Mayor-elect Lu Shioh-yen stated that she would seek a review of the decision to cancel Taichung’s hosting the 2019 East Asia Youth Games. Premier Lai said the central government would support that effort. In July, Beijing had persuaded the East Asia Olympic Committee (EAOC) to cancel those games, stating that this was necessary because the Tsai administration had allowed the Olympic name referendum to proceed. After the election, the TAO spokesman said the issue should be decided by EAOC.

As soon as the election was over, maneuvering for the 2020 elections began. Although KMT Chairman Wu Den-yih is not popular with the public, party members give him considerable credit for their election victory. Wu has the ambition to be president, but has called for the party to agree on a nomination process. Former candidate Eric Chu, a principal rival, has indicated his intention to seek the nomination. Some KMT legislators are calling for the “middle-aged generation” to take leadership roles in the party. On the DPP side, the election defeat means that Tsai’s re-election is no longer a foregone conclusion. DPP party members will elect a new party chairman in January. Premier Lai has indicated he will resign at an appropriate time, possibly after Chinese New Year, and there is speculation he may challenge Tsai. With presidential and legislative elections likely to be held in January 2020, both parties will be

making nominations next summer. Independent Taipei Mayor Ko is also considering becoming a candidate.

### **Other cross-strait developments**

Even though the local elections dominated cross-strait relations, some other developments deserve note. After the first case of African Swine Fever (ASF) was detected in northeast China in August, the outbreak spread to almost all provinces in China by late December. ASF is a disease that affects pigs. As pork production is a major industry and employer in Taiwan, Taipei banned the import of pork products from China and established an emergency task force in December. Although Taiwan’s Straits Exchange Foundation (SEF) and the Council of Agriculture have requested consultations several times, Beijing has not made an exception to its ban on direct contacts to permit this. The exchange of such information is required under the 2009 Cross-Strait Agreement on Agricultural Products inspection and Quarantine. In late December, President Tsai called on China to provide comprehensive real-time information to assist Taipei in preventing spread of the disease to Taiwan.

For a week in December, Taiwan was consumed with the story of Kaohsiung master baker Wu Bao-chun, the owner of a chain of bakery/cafés. When his first café on the mainland in Shanghai was about to open, Chinese netizens accused Wu of being pro-independence. How much of the ensuing onslaught was popular nationalism and how much was produced by the CCP propaganda department’s “fifty cent army” is uncertain. Wu made an abject denial saying he was from “Taiwan, China,” was proud of being Chinese and supported the 1992 Consensus. In Taiwan, this was widely seen as a forced statement. President Tsai condemned Beijing for injecting its political conditions into cross-strait exchanges. Many other politicians from across the political spectrum also criticized Beijing. Nevertheless, Wu’s statements provoked both harsh criticism and support within Taiwan. KMT Kaohsiung Mayor-elect Han Kuo-yu publicly supported Wu, who shifted to saying he was just an ordinary baker who didn’t understand politics. This was another in a series of such incidents that illustrate how polarized and politicized identity issues have become.

Beijing has continued to promote Taiwan's economic and social integration with China. In September, Beijing convened the first cross-strait forum on youth employment and business formation. Vincent Siew, former vice president and KMT official, led the Taiwan delegation. The forum discussed ways to implement aspects of Beijing's 31 incentive measures. In December, the fifth annual cross-strait CEO summit was held in Xiamen. CCP Politburo Standing Committee member Wang Yang addressed the meeting, describing Beijing's efforts to facilitate cross-strait economic ties. When CCP General Secretary Xi Jinping met Siew at the Boao Forum in January, Xi said that giving Taiwan firms "national treatment" was Beijing's policy. However, no steps to implement national treatment have been announced and Wang Yang did not mention the issue at the CEO summit. January 1 will see the implementation of the PRC's new Personal Income Tax Law, that is designed to increase tax collections. In late December, the TAO announced that the regulations for implementing the Personal Income Tax Law would grant Taiwan residents as yet undefined special benefits.

#### **International: Taipei shoring up diplomatic ties**

Taipei has maneuvered to shore up relations with its 17 remaining diplomatic allies after the quick, successive losses of the Dominican Republic, Burkina Faso, and El Salvador between May and August. In October, President Tsai welcomed Saint Lucian Prime Minister Allen Chastanet and Paraguayan President Mario Abdo Benitez during their official visits to the island. To consolidate relations with eSwatini – the last Taiwan holdout in Africa – the Ministry of Foreign Affairs announced an increase in diplomatic spending for Africa for the next fiscal year. The ministry also transferred several aid and technical assistance programs from El Salvador to neighboring Nicaragua.

South Pacific island nations have become an important battleground as Beijing attempts to make greater inroads in the region and Taipei seeks to maintain hold of its six diplomatic allies. In a September visit to Taiwan ally Nauru for the intergovernmental Pacific Island Forum, Foreign Minister Joseph Wu announced a \$2 million initiative in which Taiwan will dispatch physician teams on an ongoing basis to provide specialized medical services for its allies. In November, President Tsai welcomed Palauan

President Tommy Remengesau on his five-day state visit to Taiwan. Later in the month, Foreign Minister Wu visited the Marshall Islands to celebrate two decades of ties and to sign cooperation agreements. All of Taiwan's South Pacific allies declined Beijing's invitation to attend a region-wide Belt and Road summit with Xi Jinping in Papua New Guinea just prior to the November APEC Economic Leaders' Meeting.

Beijing and the Vatican on Sept. 22 signed a provisional pastoral agreement that included jointly nominating Catholic bishops inside China. Both Taipei and the Vatican said the accord would not affect their diplomatic relations. However, Beijing and Pope Francis both have expressed interest in further improving ties. A month after the agreement's announcement, Taiwan Vice President Chen Chien-jen traveled to the Vatican for the canonization of Pope Paul VI, where he extended an invitation to Pope Francis to visit Taiwan. A few days later, the Vatican issued an unconventional statement saying the Pope is not planning to visit Taiwan.

Even as Beijing continues its campaign to poach Taiwan's remaining diplomatic allies, Taipei has quietly moved to gain support of "like minded" democracies in Asia and Europe with whom it does not have official relations. According to the *Financial Times*, Foreign Minister Wu has institutionalized informal discussions with Taiwan-based diplomats from the US, UK, Germany, France, Japan, Australia, and New Zealand concerning Taiwan's international participation. Taipei also continues to push for membership in the Japan-led Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the successor to the Trans-Pacific Partnership. Taiwan's bid was made more uncertain, however, following the Taiwan electorate's overwhelming approval of a referendum in the November election to uphold the ban on Japanese food imports from prefectures surrounding the Fukushima nuclear plant. Japanese Foreign Minister Kono Taro in December said this "matter has made it unlikely for Taiwan to join the partnership."

Following an unsuccessful 2016 attempt, Taipei again endeavored to secure participation as an observer in Interpol's autumn General Assembly. Both the US Department of State and Department of Justice voiced support for Taiwan's inclusion, since this would help the

island better combat transnational crime. But the international police body again rejected Taipei's application, leading Premier William Lai to blame Beijing's continued suppression of Taiwan's international space.

The New Southbound Policy (NSP) continues to rank high on the Tsai administration's foreign policy agenda. In October, Tsai gave the keynote address at the second Yushan Forum, an annual gathering of entrepreneurs, political figures, and NGO leaders from Southeast and South Asian countries in Taipei, and proclaimed that the strategy is bearing fruit. Later in October, Taiwan and India signed an updated bilateral investment agreement.

### Strengthening US-Taiwan relations

US-Taiwan ties continued to strengthen as Washington asserted its vision for a free and open Indo-Pacific and responded to accumulated PRC pressure on Taiwan.

In a major [speech](#) on the administration's China policy in October, Vice President Mike Pence praised Taiwan's democracy, condemned Beijing's efforts to woo away Taiwan's diplomatic partners and criticized its pressure on US businesses to comply with PRC views about Taiwan. Taipei was pleased, and its leaders have repeatedly noted his remarks. At the November US-China Diplomatic and Security Dialogue, Secretary of State Mike Pompeo stated the administration is concerned about Beijing's efforts to constrain Taiwan's international space.

Perceiving Taiwan's loss of El Salvador as having crossed a line, the Trump administration and members of Congress signaled their determination to help Taiwan retain its remaining diplomatic allies. In September, Washington recalled its ambassadors from the Dominican Republic and El Salvador as well as its charge d'affaires from Panama for consultations over those nations' break with Taipei. AIT Chairman James Moriarty said the move showed that there were consequences to China's actions. Also in September, a bipartisan group of US senators introduced the [Taiwan Allies International Protection and Enhancement Initiative \(TAIPEI\) Act](#), which would require the State Department to routinely report on its efforts to help strengthen Taiwan's international alliances, as well as give the department authority to downgrade relations

with countries that switch sides. No action has been taken on this bill.

On Sept. 25, the Trump administration notified Congress of its intention to sell Taiwan a \$330 million arms package covering spare parts for Taiwan's US-made fighters and military transport aircraft. It was the second Taiwan arms sale approved by the Trump administration following the \$1.4 billion deal in 2017. Randall Shriver, assistant secretary of defense for Asian and Pacific Affairs, said the sale reflects the Trump administration's move toward a more normal arms sales process with Taiwan, as prior practice had been to bundle arms sales every couple of years. PRC government spokespersons issued *pro forma* denunciations of the sale.

Two U.S. destroyers sailed through the Taiwan Strait on Oct. 24, the second such passage this year. The following month, another US destroyer and a replenishment vessel transited the strait. In addition, two USN carrier groups conducted training exercises in the Philippine Sea in November. While Taipei welcomed these freedom of navigation operations as part of Washington's call for a free and open Indo-Pacific, Beijing expressed its opposition to US-Taiwan military contact.



Figure 3 Su Jia-chuan, left, in conversation with Paul Ryan. Photo: Taiwan News

In the spirit of the Taiwan Travel Act, US and Taiwan officials undertook mutual visits. In September, Legislative Yuan speaker Su Jia-chuan visited Washington for Sen. John McCain's memorial service. He subsequently held a private meeting with House Speaker Paul Ryan, the first such meeting between senior US and Taiwan legislative leaders since 1979. In October, Deputy Assistant Secretary of State

Scott Busby traveled to Taiwan to meet President Tsai and to deliver remarks at an international workshop, organized under US-Taiwan Global Cooperation and Training Framework, that focused on disinformation within democracies.

On Dec. 12, the House of Representatives passed the [Asia Reassurance Initiative Act of 2018](#), a Senate-sponsored and approved bill that provides a policy framework and new funding for US engagement with Indo-Pacific allies and partners. Section 209 of the bill states it is US policy to maintain close economic, political, and security ties with Taiwan. It also contains provisos that mandate the president to conduct regular arms sales with Taiwan and to encourage travel by high-level US government officials to the island, per the Taiwan Travel Act. President Trump signed the bill on Dec. 31.

Taipei also endeavored to secure a more favorable position within the Trump administration's trade policies. In the absence of stalled Trade and Investment Framework (TIFA) talks, Taiwan held *ad hoc* trade discussions with a visiting US Trade Representative (USTR) delegation in September, where it requested exemptions on the Trump administration's steel and aluminum tariffs. The following month, Taiwan announced it would purchase \$1.56 billion in US soybean contracts through 2019, a 33 percent increase over its original planned amount. With the Nov. 5 reinstatement of all US sanctions on Iran, Washington granted Taipei a secondary sanctions waiver to wind down its imports of Iranian oil.

### **Looking ahead**

The coming months will show how ties between the CCP and the revived KMT will develop and how Beijing adjusts its pressures on the Tsai administration to the new situation in Taiwan. It is unlikely that Beijing will change its objection to Taipei's being an observer at the World Health Assembly in May. The scope of PLA military exercises around Taiwan bears watching as will be the continuation of US freedom of navigation operations near Taiwan. Six LY by-elections in early 2019 will provide indicators for party prospects in the 2020 elections.

# CHRONOLOGY OF CHINA-TAIWAN RELATIONS

## SEPTEMBER – DECEMBER 2018

**Sept. 4, 2018:** Foreign Minister Joseph Wu Jau-shieh attends Pacific Island Forum in Nauru.

**Sept. 5, 2018:** President Tsai Ing-wen meets Guatemalan Congress President Alvaro Arzu Escobar in Taiwan.

**Sept. 7, 2018:** Washington recalls its diplomats from Panama, the Dominican Republic, and El Salvador for consultations.

**Sept. 13, 2018:** Acting Assistant US Trade Representative Terry McCartin visits Taipei for informal discussions.

**Sept. 17, 2018:** Chinese netizen asserts China helped stranded Taiwan tourists in Osaka.

**Sept. 22, 2018:** The Vatican and Beijing announce a provisional accord on the appointment of bishops in China.

**Sept. 24, 2018:** US State Department approves \$330 million aircraft spare parts sale to Taiwan.

**Sept. 25, 2018:** State Department Deputy Assistant Secretary (DAS) Matt Mathews visits Taiwan.

**Oct. 4, 2018:** Vice President Mike Pence gives major speech on US-China relations.

**Oct. 8, 2018:** Paraguay's President Mario Abdo Benitez visits Taipei.

**Oct. 10, 2018:** President Tsai's National Day speech describes her strategy for resisting PRC pressures on Taiwan.

**Oct. 11, 2018:** US Environmental Protection Agency (EPA) Principal DAS Jan Nishida visits Taipei.

**Oct. 15, 2018:** Taiwan's Vice President Chen Chien-jen visits Vatican for canonization of pope Paul VI.

**Oct. 17, 2018:** INTERPOL informs Taipei that it cannot participate in the November General Assembly meeting.

**Oct. 17, 2018:** Taiwan Affairs Office (TAO) spokesman criticizes Olympic team name change referendum as a Taiwan independence plot.

**Oct. 18, 2018:** State Department DAS Scott Busby attends forum in Taipei.

**Oct. 22, 2018:** Two US Navy ships transit Taiwan Strait.

**Oct. 29, 2018:** US-Taiwan Defense Industry Conference convenes in Annapolis.

**Oct. 30, 2018:** TAO Director Liu Jieyi receives Vincent Chang Hsien-yao delegation.

**Nov. 5, 2018:** AIT Chairman James Moriarty visits Taiwan; meets President Tsai.

**Nov. 10, 2018:** Palau President Tommy Remengesau visits Taipei.

**Nov. 17, 2018:** Taiwan representative Morris Chang meets briefly with Vice President Pence at the APEC Economic Leaders' Meeting in Papua New Guinea.

**Nov. 20, 2018:** Foreign Minister Wu visits the Marshall Islands.

**Nov. 24, 2018:** DPP suffers serious defeat in local elections; Chairperson Tsai resigns.

**Nov. 29, 2018:** Two US navy ships transit Taiwan Strait.

**Dec. 3, 2018:** Department of Commerce Acting DAS Ian Steff visits Taipei.

**Dec. 4, 2018:** Cross-Strait CEO summit held in Xian.

**Dec. 10, 2018:** Kaohsiung master baker Wu Bao-chun pressured into making pro-China statements after netizens attack him as pro-Taiwan independence.

**Dec. 18, 2018:** Four PLA aircraft fly through Bashi Strait.

**Dec. 18, 2018:** Taiwan and India sign new Bilateral Investment Agreement.

**Dec. 19, 2018:** President Tsai calls for China to provide comprehensive real-time information on African Swine Fever (ASF).

**Dec. 20, 2018:** Former ARATS Chairman Chen Yunlin visits Taipei to pay respects to deceased former SEF Chairman Chiang Pin-kun.

**Dec. 20, 2018:** Shanghai-Taipei Twin City Forum convenes in Taipei.

**Dec. 20, 2018:** TAO says Taiwanese residents will receive special treatment under new Personal Income Tax Law.

**Dec. 27, 2018:** Taiwan-Japan maritime cooperation meeting concludes in Taipei.

**Dec. 31, 2018:** President Trump signs Asia Reassurance Initiative Act.

**Jan. 1, 2019:** President Tsai's New Year address broaches cross-strait issues.

**Jan. 2, 2019:** President Xi gives major address on the 40th anniversary of Deng Xiaoping's "address to Taiwan Compatriots."

