

Taiwan's Election and the Outlook for Cross-Strait Relations



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"With increasing power comes increasing responsibilities." This is what former U.S. President Obama called on China in 2016.¹ To me, this sounds like China's rise as a great power may expose it to new challenges that it did not have to face before. The internationalization of the Taiwan issue is one of them.

Chinese leaders view the Taiwan issue as a core Chinese interest and have drawn a line that should never be crossed. Countries, including South Korea, have supported the "One China Policy" and have tried to carefully articulate their stance on tensions across the Taiwan Strait so as not to antagonize China.

However, as many China experts have recently pointed out, there is a not-

¹ Kopan, Tal. 2016. "Obama plans to call on China to exercise restraint." CNN.com. (September 2). <https://edition.cnn.com/2016/09/02/politics/obama-turkey-china-interview/index.html>

iceable pattern indicating that the Taiwan issue has gained greater global attention.² The Taiwan Strait issue has become internationalized for two reasons. One is Taiwan's overwhelming ability to manufacture advanced semiconductors, and the other is China's changing Taiwan policy.

While cross-Strait relations themselves may be a domestic issue for China, instability in cross-Strait relations could have national and economic security implications for its neighbors, especially given the recent shift in China's rhetoric on Taiwan. While the Chinese leadership before Xi Jinping spoke of "opposing Taiwan independence," the current administration speaks of "promoting the reunification of China." At first glance, the two phrases seem similar, but while "opposing Taiwan independence" involves maintaining the status quo, "promoting China's reunification" implies an explicit intention to literally change the status quo. In his New Year's address this year, President Xi Jinping once again emphasized that "the reunification of the motherland is a historical inevitability."³

Since 1979, when Beijing changed the guiding principle of its Taiwan reunification policy from 'armed liberation' to 'peaceful reunification,' it has used a mixture of economic inducements and military threats to deal with Taiwan. "Its strategy has been to win over Taiwanese public opinion by offering economic incentives, especially through the Kuomintang (KMT), a party that favors the "One China Principle." In particular, China has used three types of economic carrots, which can be summarized as (1) accepting Taiwanese entrepreneurs in China and exerting influence on Taiwanese society through them; (2) providing economic benefits to Taiwanese residents by sending Chinese tourists, purchasing Taiwanese agricultural products and manufactured goods in bulk; and (3) providing Taiwanese companies and individuals with various benefits such as business opportunities, study, and employment in China.⁴

However, not only were official cross-strait communication channels suspended following Taiwan's Sunflower Student Movement in 2014 and the transition of power from KMT to the Democratic Progressive Party (DPP) in 2016, but Taiwan's distrust of the PRC has also increased since the Hong Kong pro-democracy protests in 2019. Accordingly, China's ongoing economic

² Shi, Jiangtao. 2024. "'The Taiwan card': island's growing strategic value is testing Beijing's diplomacy tactics." South China Morning Post. (January 13). <https://www.scmp.com/news/china/diplomacy/article/3248206/taiwan-card-islands-growing-strategic-value-testing-beijings-diplomacy-tactics>

³ Blanchard, Ben. 2024. "China's Xi says 'reunification' with Taiwan is inevitable." Reuters. (January 1). <https://www.reuters.com/world/asia-pacific/china-calls-taiwan-president-frontrunner-destroyer-peace-2023-12-31/>

⁴ For example, 31 preferential policies for Taiwan in 2018, 26 additional measures in 2019, and 11 new incentives in 2020.

strategies against Taiwan have become increasingly ineffective. In recent years, Taiwan's investment in the mainland has declined in both value and share, peaking at \$14.6 billion in 2010 and falling by one-fifth to \$3 billion by 2023. The number of Taiwanese living in China has also fallen dramatically, from 430,000 in 2013 to 177,000 in 2022.⁵ There is a strong sense of mistrust among Taiwanese that China is using its high level of economic interdependence to manipulate them. As a result, the only Taiwan policy options left for the Xi administration are the sticks: economic coercion and military threats.

In practice, China has begun to rely on unilateral means to reset cross-Strait dynamics. It uses military threats to spread the perception that Taiwan cannot resist China alone; psychological and information warfare to create fear that the United States, Japan, and others will not come to Taiwan's aid in an emergency; and economic coercion to create the belief that reunification with China is the only way to ensure Taiwan's peace and economic prosperity.

This year's presidential election in Taiwan resulted in the victory of DPP candidate Lai Ching-te. Some argue that the election results have increased the likelihood of armed conflict between the two sides. However, Taiwan's election results are not expected to cause immediate volatility in the region. The U.S. is unlikely to want another conflict in East Asia, given the Russia-Ukraine war, the Israeli-Hamas conflict, the Houthi rebels' attacks on cargo ships in the Red Sea, the U.S. presidential election in November, and domestic economic concerns. The U.S. has ample incentive to restrain Taiwan's DPP government from engaging in any provocative actions. Furthermore, while the DPP achieved unprecedented success by winning a third straight term, unlike its landslide presidential victory in 2020, the DPP not only earned a narrow victory but also lost a majority of legislative council seats. This would also make it more difficult for the island to take unilateral and extreme measures to achieve independence. Lai's press conference after the election victory emphasized the "communication, consultation, participation, and cooperation" with the opposition parties.⁶

While Beijing seems unhappy with the outcome of the election, it is unlikely to show its displeasure by strong action. The biggest blow to Taiwan's economy would be if Beijing stopped importing semiconductors, which account for 67% of Taiwan's exports to the mainland, but that would be even more damaging to the mainland. Reputational damage is also a concern if Beijing responds with haste and force, including military action. With the economy suffering

⁵ Matsuda, Tomoki. 2024. "中国から引き揚げる台湾商人 なぜ？総統選挙への影響は？ [Why are Taiwanese merchants withdrawing from China? What will be the impact on the presidential election?]" NHK. (January 12). https://www3.nhk.or.jp/news/special/international_news_navi/articles/feature/2024/01/09/37096.html

⁶ Tena, Pei-ju and Su-ping Yeh. 2024. "ELECTION 2024/President-elect Lai Ching-te promises to maintain cross-strait status quo." Focus Taiwan. (January 14). <https://focustaiwan.tw/cross-strait/202401140001>

from the restructuring of global supply chains, President Xi Jinping flew to APEC in San Francisco last November to try to attract foreign investment. It's hard to imagine him doing anything to undermine his efforts.

However, as the U.S.-China strategic rivalry intensifies and the global economy becomes increasingly fragmented, it is expected that cross-Strait relations will eventually deteriorate. In particular, the DPP government's cross-Strait policy is "reaching China via the World"⁷ instead of "reaching the world via China."⁸ Lai Ching-te has stated that he wants to work with like-minded democracies to diversify Taiwan's trade relationships and reduce its reliance on China. The problem is that the Xi Jinping administration may see Taiwan's efforts as a disguised policy of independence.⁹

The U.S. and China, as well as neighboring countries such as South Korea and Japan, will have to work to prevent unexpected developments in cross-Strait relations including any form of armed conflict. A recent Bloomberg analysis estimated that a cross-strait war would wipe out 10% of global GDP. Taiwan's economy would be hit by -40%, China by -16.7%, Japan by -13.5%, the U.S. by -6.7%, and South Korea by a whopping -23.3%. This means that the incentive to resolve the Taiwan Strait crisis is not only high for the U.S. and China but also for South Korea. It is time for South Korea to pay more attention to the Taiwan Strait issue and consider what it can do to maintain regional peace and stability. **KIEP**

⁷ 通過世界走向中國

⁸ 通過中國走向世界

⁹ Lin, Bonny. 2022. "Enabling 'patriots' to be masters of the island: evolution of Xi's policy on Taiwan since 2013." *China Leadership Monitor*, 73(2022). <https://www.prcleader.org/post/enabling-patriots-to-be-masters-of-the-island-evolution-of-xi-s-policy-on-taiwan-since-2013>