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# Focus Info

# TAIWAN

## Latest Update



## Lai Ching-te elected, continuity or change?

### *The stakes and outcome of a tense presidential campaign*

The Taiwanese presidential election, held 13 January 2024, saw the **re-election of the ruling Democratic Progressive Party (DDP)** with the victory of **Lai Ching-te** against his main rival, opponent **Hou You-ih (Kuomintang, KMT)**. Although the presidential campaign witnessed the appearance of new issues, such as the cost of living and LGBT rights, as if often the case, the debates were **divided over the issue of China**, amid renewed tension with Beijing.



However, **with regards to the issue of China**, the stance taken by the different political parties during the election has tended to converge in recent years. Furthermore, a Manichean vision pitting a pro-independence camp against a pro-China camp is no longer a relevant way of looking at things. The **KMT**, the leading opposition party, which is traditionally closer to Beijing, supports the **status quo**, in a similar fashion to the **DPP**, the **Taiwan People's Party (TPP)** and more than 87% of the Taiwanese people according to a recent poll. The possibility of reunification with the People's Republic of China (PRC) is in fact widely unpopular among Taiwanese society, which is **increasingly wary of Beijing**, especially in view of **mounting pressure and Chinese military manoeuvres**. Meanwhile, the **increase in control over Hong Kong** seen since 2019 foreshadows a similar scenario in the event of unification, which would signal the end of Taiwan's democratic and liberal model. What is more, Chinese pressure makes any move towards independence dangerous. For example, a few days prior to the election **the Chinese army had vowed to "crush" any efforts to promote independence**.

## *A new president following in his predecessor's footsteps*

In view of the tense and fragile balance, the election of Lai Ching-te for the next four years has, unsurprisingly, upset Beijing, which is concerned about his policies that are reputed to be more radical than his predecessor's Tsai Ing-wen (DPP), for whom he served as vice president from 2020 to 2024. In 2017, the newly-elected head of state had described himself as a “**pragmatic worker for Taiwanese independence**”. Nevertheless, his mandate is expected to include a **certain continuity** and pursue the status quo policy that Tsai Ing-wen had strived to implement. The **loss of the DPP's absolute majority in the legislative elections**, which were held on the same day as the presidential ballot, should in all likelihood force him to adopt a relatively consensus-based policy of balance, which Beijing has not failed to emphasise by defending the idea that Tsai Ing-wen, and a fortiori the "pro-independence camp", is not as popular as one might think.

As a result, Lai Ching-te said that he would stand **firm against the People's Republic, rejecting its "fake peace"**, while **avoiding any formal declaration of independence**. Instead, Lai Ching-te is expected to focus on **deepening Taiwan's integration into the global economy through cutting-edge technologies**, a field in which the small island state has made a name for itself, notably in the semi-conductor industry.



*Lai Ching-te with outgoing President Tsai Ing-wen.*

Given this strategic position in a key industry, any open conflict between China and Taiwan would potentially have devastating consequences on the global economy and Taipei uses this argument as **leverage in diplomatic negotiations**.

## *Condemned by China, congratulated by the West*

Lai Ching-te's election has received a varied reception from the international community. The People's Republic of China immediately criticised the election result, repeating that it would “**firmly oppose separatist activities seeking Taiwan independence and foreign interference**”, a reaction to which Taipei replied curtly by telling Beijing to “face up to the reality” of the election.

Furthermore, a few days after the election, the **Nauru** authorities announced the **breaking of diplomatic relations with Taiwan**, stating that they would no longer recognise the island territory “as a separate country but rather as an inalienable part of China's territory”. Nauru was one of the few states to recognise Taiwan to the detriment of China. Today, **only 12 countries recognise Taiwan as a sovereign state**, thereby illustrating the **long-term trend showing a decline in the number of countries recognising Taiwan**. Meanwhile, 17 January Beijing resumed its military manoeuvres in Taiwan’s Air Defence Identification Zone (ADIZ) and also summoned the Philippine ambassador to China in **condemnation of Philippine President Ferdinand Marcos having congratulated Lai Ching-te**.

As for the West, it **welcomed** the result of the Taiwanese presidential election. In the US, Secretary of State **Antony Blinken** congratulated **Lai Ching-te**, though President **Joe Biden** noted that his country did not “**support independence**”. The general reaction of the European Union, especially France, was more cautious. Paris offered its "congratulations" to the voters and candidates "who took part in the **democratic process**", without directly naming **Lai Ching-te**.

## A backdrop of mounting geopolitical tension

*The US-China modus vivendi on the Taiwan issue undermined by competition between the two powers*

Beijing’s stance is that there is only One China, which includes Taiwan. Its **objective is unification with Taiwan**, which it considers “**inevitable**” and essential for “national rejuvenation”, as well as the legitimacy of the Chinese Communist Party. China is **considering the possibility of using military force in order to achieve its objective**.

Within the framework of its “**One China policy**”, the US recognises the People's Republic of China as the sole legal government of China and acknowledges Beijing’s view that Taiwan is part of China. But Washington is also of the opinion that the **status of Taiwan remains unsettled and should be resolved peacefully, rather than unilaterally**.

Both of these positions have enabled the US and China to reach to reach the modus vivendi under which they normalised their relations in 1979 and which has since helped to manage the tension. However, these agreements and arrangements have started to break down due to the **ideological differences between the two powers**, and the **shared sentiment that the other is threateningly changing the status quo in the Taiwan Strait**.

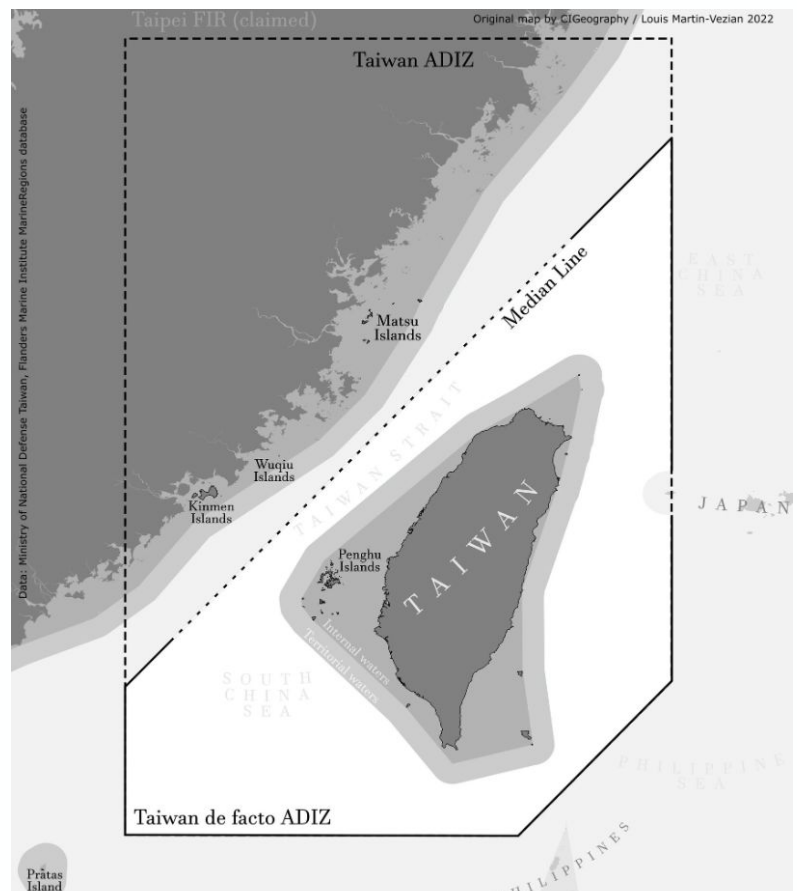
From Washington's point of view, the main concerns are the **balance of the military forces which has tipped in favour of China** and Beijing's effectiveness of diplomatically and economically isolating Taiwan. The US fears of the threat posed by China on Taiwan have increased in relation to the **military modernisation of the People's Liberation Army (PLA)**, giving rise to questions over the **possibility of a military invasion of Taiwan by China** in the short-term and reservations with regards to the capability of the US itself to repel an invasion if it did have to intervene.

### *Stronger relations between Washington and Taipei*

In response to such concerns, the **Biden administration** has strengthened ties between Washington and Taipei, **reframing the Taiwan issue as an international matter** with regional security implications, and has worked to reduce Taiwan's international isolation and has started to play a **more proactive role in the preparation of Taiwan's defence** in order to dissuade more aggressive behaviour from Beijing. For example, the National Defence Authorisation Act of 2023 provided a special package worth 10 billion dollars billion for "Taiwan resilience", meaning the island's defence.

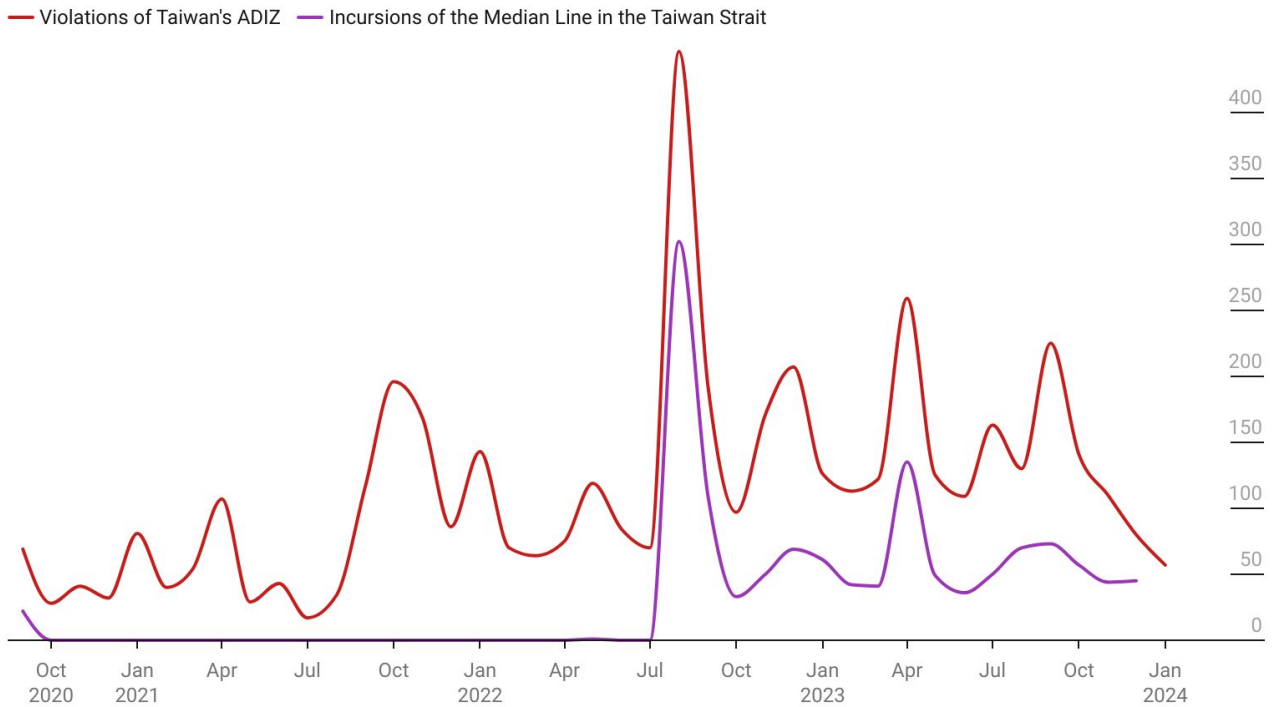
In reaction to the **rapprochement between Washington and Taipei**, as well as any development in Taiwan considered by Beijing as being detrimental to unification, **China regularly carries out military exercises around the island**, but the scale of such manoeuvres has escalated since 2022, peaking in August in condemnation of a visit paid by **Nancy Pelosi**, the speaker of the US House of Representatives.

Source: CSIS



## Chinese incursions into Taiwanese air space and maritime zone

The Taiwanese ADIZ covers most of the Taiwan Strait, part of the East China Sea and the adjacent air space, as well as its exclusive economic zone.



An air defence identification zone (ADIZ) is the air space located over land or water where identification, location and control of all aircraft is required in the interest of national security.

Chart: SSF - Scutum Security First • Source: Ministry of National Defense of the Republic of China (Taiwan) • Created with Datawrapper

## Chinese invasion of Taiwan: is it a credible scenario?

**The frequency of incidents in the Taiwan Strait and the public declarations of the PRC suggest a greater risk of military confrontation in the Taiwan Strait.**

However, **Beijing continues to favour a peaceful political solution** to the Taiwan issue, especially with regards to the **importance of Cross-Strait relations economic relations**, which have become stronger in recent years, despite growing tension. In addition, **a major invasion of Taiwan by mainland China remains unlikely in the short-term.**

Meanwhile, leaders in mainland China are increasingly frustrated by the lack of progress in their policy to encourage the Taiwanese political establishment towards political unification.

The new victory of the DDP in the 2024 presidential elections, a party that traditionally is hostile to China, could fuel such sentiments after **Beijing claimed in January 2024 that any move towards Taiwan's independence would be "severely punished"** and that the result of the election would not **"impede the inevitable trend of China's reunification"**.

So far, the PRC's military reaction to the results of the Taiwanese elections has been more restrained compared to the pressure it has been exerting on the island for several years. The PRC did not enhance its military presence immediately after the election. Violations of the ADIZ by the PLA remained at relatively normal levels with just small upticks 17, 18 and 26 January, when tens of PLA aircraft crossed the median line of the Taiwan Strait. It is worth noting that **such manoeuvres are in line with the PRC's reaction to the last Taiwanese presidential election in 2020**, already perceived by Beijing as a setback, and therefore do not represent a significant break in cross-strait tensions.

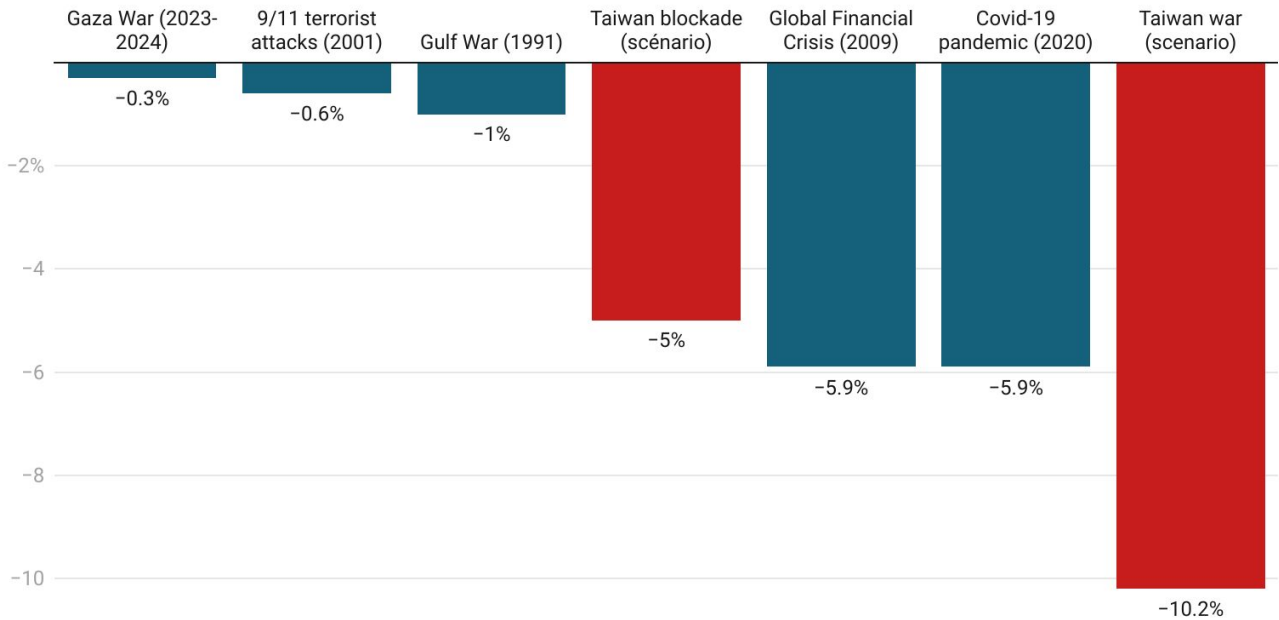
**In both the medium and long-term, Beijing could decide to carry out limited military action in the Strait of Taiwan**, or against the islands controlled by Taiwan, notably in the form of an **blockade**. The increase in military manoeuvres by the Chinese army simulating the total surrounding of the island in 2023 appears to support this theory. However, despite **Beijing's apparent confidence in the success of a military venture in Taiwan**, according to some US studies, namely by the Centre for Strategic and International Studies (CSIS) in January 2023, **any invasion of Taiwan would end in failure for Beijing in most of the scenarios studied**.

What is more, it is difficult to ascertain whether mainland China has set itself a fixed timeframe in order to achieve unification by 2049 - the PRC's 100th anniversary year - or if it is ready to wait until an interesting opportunity arises. **At the present time, it is unlikely that China has set a definite deadline for unifying Taiwan in the short to medium term**.



## Impact on global GDP% in comparison to pre-crisis trends

In both scenarios, either a blockade or war, China itself would face the risk of heavy economy consequences (-17% of GDP in case of war).



*In a simulation of the impact on global GDP of China going to war against Taiwan, Bloomberg Economics estimates that it would result in the end of the island's exports and imports; the near-total suspension of Chinese-US trade relations; customs tariffs of 50% on Chinese goods imposed by the United States and its allies; a 40 point jump in the Volatility Index (VIX), which assesses the volatility of the US stock market; an 80% drop in trade to and from Japan, South Korea and ASEAN countries.*

Chart: SSF - Scutum Security First • Source: Bloomberg Economics, International Monetary Fund (IMF) • Created with Datawrapper

In all likelihood, **China would invade the island immediately if Taiwan declared its independence.** What is more, the leaders of mainland China appear convinced that **the US would intervene if the island were invaded.** Although this remains highly unlikely at the present time, such a scenario of open war would have **devastating consequences**, especially on the global economy.



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