



Michael R. Splinter
Chairman of the Board

Senator Robert Menendez
Honorary Co-Chair

Senator Lisa A. Murkowski
Honorary Co-Chair

Rupert J. Hammond-Chambers
President

***SPECIAL COMMENTARY:
THE 2024 TAIWAN ELECTION***

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***Rupert Hammond-Chambers
President
US-Taiwan Business Council***

On Saturday, January 13, the world's first consequential 2024 election took place when the people of Taiwan elected sitting Vice President Lai Ching-te of the Democratic Progressive Party (DPP) to the presidency. Lai will be inaugurated around May 20 of this year, and his election bodes well for continuity in U.S.-Taiwan relations. Nevertheless, his election also means that the U.S. is about to enter a more complex period in its relations with China over Taiwan.

Lai is an experienced politician with deep roots in the DPP. His ascendancy to the presidency - alongside his Vice President, former-Taiwan Ambassador to U.S. Hsiao Bi-khim - gives Taiwan formidable leadership. Yet China is likely to test them early, and they also face an added complication as the DPP just lost control of the Taiwan legislature for the first time in 8 years.

China loathes the DPP, and the PRC has expanded great efforts to paint both the party and Lai as a threat to peace and security in Asia. Before the election, they argued that Taiwan voters were choosing between peace and war, with Lai representing war. But what China opposes is Taiwan's democratic system. It sees the island's thriving democracy as a direct threat to communist party rule in China and is therefore pursuing policies to undermine and discredit democracy. One need only look at the recent fortunes of Hong Kong to grasp Taiwan's future under Beijing's control.

Taiwan's relevance to American national interest cannot be understated and continuing current President Tsai Ing-wen's close cooperation with the U.S. is a must. The island's geography and the threat posed by China's military make it an essential partner in our Indo-Pacific military strategy. Taiwan's global leadership in the semiconductor sector makes it an indispensable partner to the U.S. in our efforts to stand up cutting-edge chip manufacturing domestically. Taiwan is also cooperating with the U.S. on curbing China's access to technology, positioning it alongside Japan, the European Union, and others who view Beijing's predatory mercantilist policies as a threat to their economic well-being.

China is likely to respond poorly to Lai's win. We will see heightened grey zone activities as the PLA incrementally encroaches closer to Taiwan's physical air space and shoreline in a "salami slicing" approach. These actions pressure Taiwan's military and wear down critical hardware like its F-16s. It also creates a steady drumbeat of dismayed reporting, pressuring the Taiwan populace and spooking global markets. This activity had dissipated somewhat in the lead-up to the election, as China tried not to overplay its hand for fear it would hurt its preferred candidate. Military coercion is about to surge back, and military exercises will also feature in this approach - albeit likely short of what we saw after then-U.S. Speaker Pelosi visited the island in August 2022.

Beijing is also likely to use political and economic actions to transmit its anger over the election result. One such lever has already been pulled with Taiwan's loss of Nauru as a diplomatic ally today. This may also include changes to the Economic Cooperation Framework Agreement (ECFA). The ECFA - a modest cross-Strait economic agreement from 2011 - has greater political significance than economic relevance, but changes would be escalatory. There are global supply chain companies that



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benefit from the arrangement and for whom removal of preferential treatment would sting. In addition, Taiwan's role in the global effort to de-risk from China is pivotal, and economic heavy-handedness by Beijing toward Taiwan may further exacerbate shifts in Taiwan's outbound investment flows into China - which peaked in 2011 at 84% of the total, compared to only 11% in 2023.

Beijing must be careful not to overreact to the DPP win. The PRC will seek to balance telegraphing near-term resentment toward the island's voters with its apparent broader interest in improving relations with the United States. Over-reaction towards Taiwan could backfire, given the U.S. presidential election in November 2024 and the potential debate over the future of U.S. policy toward China.

The Biden Administration must be assertive in pushing back on efforts by Beijing to use the election as an excuse to escalate tensions in the Taiwan Strait. If they choose not to talk with Taiwan's duly elected President, Beijing should pay a cost for brushing aside the decision of the Taiwan populace.

If the PRC takes punitive military or economic actions against Taiwan because of the election results, Washington needs to do better than rhetorical pique; there needs to be substantive corrections. Military actions could result in further arms sales - beyond sustainment and munitions - that would directly address grey zone and blockade scenarios. Punitive economic actions could put the U.S. Congress into play by accelerating the passage of the U.S.-Taiwan avoidance of double tax legislation. The Biden Administration and Congress could thereby take timely action to directly tie China's escalatory maneuvers toward Taiwan with a material response from the U.S.

Taiwan's democracy is thriving, and its relevance to American national interest has never been higher. U.S. policy must also remain consistent in support of the island. As we approach the U.S. presidential election, it will be crucial for all candidates and parties to embrace Taiwan's democracy and its democratic choices.

A friend in need is a friend indeed.