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### TAIWAN'S ELECTION AND ITS IMPACT ON THE INDO-PACIFIC

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Taiwan's next president, Lai Ching-te of the Democratic Progressive Party (DPP), was chosen by voters on January 13, 2024. With 40 per cent of the vote, Mr. Lai defeated Kuomintang candidate Hou Yu-ih, who received 34 per cent of the vote.<sup>1</sup> The campaign's focus was on how to handle China. Despite never having ruled the democratic island home to 24 million people, China continues to claim the area as its own and has not ruled out a military invasion. China launches fighter jets into the Taiwan Strait frequently.<sup>2</sup> Additionally, the United States is intensifying military drills around the Indo-Pacific with its partners. The focal point of a developing superpower competition will be Taiwan.

#### Taiwan's Domestic Scenario

The presidential election was viewed differently at home. According to surveys, Taiwanese voters were more concerned with internal economic issues such as inflation, housing affordability, and energy security than they were with China.<sup>3</sup> Wages fell behind the rate of inflation in 2023, and housing costs are among the highest in the world when compared to income. Although all the presidential contenders had promised to address most of these concerns in a similar way, there were some notable distinctions in DPP's commitments. The future of Taiwan's nuclear power plants is one of them. The DPP promised to close them down, while the Kuomintang (KMT) suggested delaying those closures in favour of a slower energy transition, according to remarks made at the second presidential candidates' discussion.<sup>4</sup>

The island's future is a worldwide worry because of how important it has become to supply lines. In 2022, Taiwan's economy ranked 16th globally in terms of trade,

with US\$907 billion in goods and services exchanged. Additionally, Taiwan produces 90 per cent of the world's advanced semiconductor chips, which are essential to almost every industry. Even without penalties or a military reaction, a blockade of Taiwan would put over US\$2 trillion in economic activity at risk, according to estimates by Rhodium Group. According to Bloomberg Economics, the global economy would suffer a US\$10 trillion loss in the event of a Chinese invasion of Taiwan that involves the United States in a war.

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The results of the election might not have much of an impact on Taiwan's foreseeable future. Analysts continue to believe that there is little chance in the near future for China to conquer Taiwan. The National Chengchi University of Taiwan has created the graphic, which shows the sentiment of Taiwanese people across numerous decades regarding independence or reunification with China. An overwhelming proportion of Taiwanese people continue to support the status quo over a move toward either independence or reunification, according to the most recent data from the middle of last year.<sup>5</sup> Even though tensions over this change have escalated, support for independence has decreased recently. The conclusion is that, despite everything, Taiwanese citizens don't appear to be in support of an overhaul in the Taiwan-China relationship.

### **The Burgeoning Crisis between China and Taiwan**

China, in 2022, released the paper titled 'The Taiwan Question and China's Reunification in the New Era', in which it particularly blamed DPP for escalating the hostilities by pursuing a continuous desire for independence, highlighting the availability of military options should the need arise.<sup>6</sup> In return, Taiwan responded by raising the duration of military service and upgrading its F-16 fighter fleet and acquiring more arms. Several considerations make the current election the most important in the entire Indo-Pacific. First, China views the island as a province that broke away and may need to be reunited through force of arms. President Xi Jinping announced shortly after taking office that the impasse over sovereignty could not be maintained indefinitely, indicating his goal to break the impasse that has been going on for almost seven decades. Second, under domestic law, the US is required to defend the island and provide it with defensive weapons. Taiwan has long been a source of friction between Washington and Beijing, but recently, as tensions between the two giants have resurfaced, the island has gained prominence.<sup>7</sup>

The declaration of independence by Taiwan is viewed by China as a "red line" that cannot be crossed. China regularly conducts military drills across the Taiwan Strait because it believes that controlling the self-

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governing island, in the long run, will be essential to maintaining national security. Although the United States formally recognises China's claim to Taiwan, it continues to be an ardent advocate of the status quo, which is a fully democratic, autonomous state with its own military, economy, and elected government. By stating unequivocally last year that the United States opposes independence, U.S. Defense Secretary Blinken eased tensions and made it possible for President Biden and Chinese President Xi to meet in November.<sup>8</sup> However, President Biden has increased military drills

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with allies throughout the Indo-Pacific and has frequently stated that the United States would defend Taiwan if it came under assault, potentially discarding the country's long-maintained "strategic ambiguity" on the island. The next president of Taiwan could decide the scales in the balance of hostilities between these two countries.

In the event of a Chinese incursion, President-elect Lai Ching-te has pledged to expedite the Taiwan military's shift from doctrines that facilitate offensive, offshore operations to ones that are better suited to slowing down and putting pressure on Beijing. Additionally, prior to the election, he made it clear that Taiwan's defence expenditure would increase above present levels. Some contend that this boost in Taiwan's capacity for self-defence is also necessary to send a message to the rest of the world, especially the United States, that the people of Taiwan would not submit to an assault by China. This necessitates balancing defence and domestic spending, and it requires the people of Taiwan to have faith that signs of their own determination will also serve to strengthen the resolve of their friends.

## **United States and Taiwan**

Taiwan is now a key ally of the United States in the Indo-Pacific because of its democratic principles and advancements in technology, especially considering authoritarian China's growing aggression. Finally, most inhabitants now identify as Taiwanese rather than Chinese, a shift that has occurred over time. Taiwan's sovereignty has been vigorously supported by President-elect Lai, and the DPP's charter promises to draft a new constitution<sup>9</sup> and establish a "Republic of Taiwan". China, however, still faces a very significant issue. According to Lai, Taiwan "is already a sovereign, independent country called the Republic of China," as he stated in an interview with Bloomberg during election season. This indicates to China that Lai, who believes Taiwan is already independent, has eschewed the entire process of pursuing independence. During the election season, China refrained from responding to his remarks, for two reasons: 1) he was speaking as a candidate, and 2) any significant response from China would

backfire. The affirmation of that stance in the wake of his election will probably cause China to respond sharply. In practical terms, President Lai has a difficult journey ahead. China employed economic pressure before winning the election. China imposed tariffs at the beginning of this month on a few petrochemical products that were exempt from duties under the cross-strait trade agreement known as the Economic Cooperation Framework Agreement.<sup>10</sup> China may decide to renounce or dilute the cross-strait agreement. The economy could be greatly affected by this, as China is Taiwan's largest export destination.

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Nevertheless, an overwhelming majority of respondents to a study conducted in the summer of 2023 stated that Taiwan's defence spending is currently either too much (35.48 per cent) or about right (44.6 per cent).<sup>11</sup> Most respondents to another survey agreed that the US is not a "trustworthy country" and that the US "will use force to help Taiwan if Beijing tries to unilaterally change the status quo." These opinions align with a concept known as "American scepticism," which holds that Taiwan represents a strategic advantage for the US in its rivalry with China. Nevertheless, none of these opinions is helpful for raising the defence budget. Greater military spending is not required if one believes the US will act because it is in its own best interests to do so.

## **India – Taiwan Relations**

India, the world's largest democracy, is thinking through its options in light of the events that are unfolding in the Taiwan Straits. New Delhi is signalling a shift in its view of the "one China" policy stance since China continues to flout all boundary accords with India and has brought the Kashmir dispute before the UN three times in 2019 and 2020. India has not issued an official statement restating their stance since 2010. Second, India promoted "restraint, avoidance of unilateral actions to change status quo, de-escalation of tensions and efforts to maintain peace and stability in the region" in response to China's increasingly assertive posturing in the Taiwan Straits in recent years.<sup>12</sup> India has been reliant on maritime trade and investments passing via the Taiwan Straits, the South China Sea, and other maritime domains since the implementation of its "Look East" and, more recently, the "Act East" policy. Any invasion of Taiwan will undoubtedly cause instability in the area, which will hinder India's ascent.

Lai is expected to carry on Taiwan's "New Southbound" policy, which was revamped under the administration of current President Tsai Ing-wen, even though it seems to be gaining traction, particularly with reference to the South Asian region. Proposals for a Free Trade Area between Taiwan and India are likewise unfinished and require new energy and direction. The three former Indian Army, Navy, and Air Force chiefs visited

Taipei last year, and in addition to the visits of parliamentarians and an increase in people-to-people interactions, both sides struck several agreements to establish semiconductor manufacturing centres. These developments marked a significant increase in bilateral contacts between Taiwan and India.

## Notes:

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- <sup>3</sup> “The role of Economic Issues in Taiwan’s 2024 Presidential Election,” Global Taiwan Institute, May 3, 2023, <https://globaltaiwan.org/2023/05/the-role-of-economic-issues-in-taiwans-2024-presidential-election/>. Accessed on January 13, 2024.
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- <sup>5</sup> ‘We are a country’: Taiwanese embrace distinct identity,” *The Economic Times*, November 11, 2021, <https://economictimes.indiatimes.com/news/international/world-news/we-are-a-country-taiwanese-embrace-distinct-identity/articleshow/87639128.cms>. Accessed on January 17, 2024.
- <sup>6</sup> The Taiwan Affairs Office of the State Council, People’s Republic of China, “The Taiwan Question and China’s Reunification in the New Era the People’s Republic of China,” August 2022, <http://gm.china-embassy.gov.cn/eng/sgxw/202208/P020220810850182763063.pdf>. Accessed on January 16, 2024.
- <sup>7</sup> Tessa Wong, “Biden vows to defend Taiwan in apparent US policy shift,” BBC, May 23, 2022, <https://www.bbc.com/news/world-asia-china-61548531>. Accessed on January 17, 2024.
- <sup>8</sup> Yukon Huang et al., “Three Takeaways From the Biden-Xi Meeting,” The Carnegie Endowment, November 16, 2023, <https://carnegieendowment.org/2023/11/16/three-takeaways-from-biden-xi-meeting-pub-91042>. Accessed on January 16, 2024.
- <sup>9</sup> Kathrin Hille, “Taiwan’s DPP constitutional plan may upset China,” *Financial Times*, February 17, 2006, <https://www.ft.com/content/05fcbac8-9f90-11da-a703-0000779e2340>. Accessed on January 19, 2024.
- <sup>10</sup> Shashwat Pradhan, “China to impose tariffs on some chemical imports from Taiwan from Jan,” *S&P Global*, December 21, 2023, <https://www.spglobal.com/commodityinsights/pt/market-insights/latest-news/chemicals/122123-china-to-impose-tariffs-on-some-chemical-imports-from-taiwan-from-jan#article0>. Accessed on January 15, 2024.
- <sup>11</sup> Timothy S. Rich and Miriam Dawson, “Defense Spending: Where is the Taiwanese Public At,” *Taiwan Insight*, June 25, 2023, <https://taiwaninsight.org/2023/06/26/defence-spending-where-is-the-taiwanese-public-at/>. Accessed on January 16, 2024. Link not working

12 “Taiwan issue: India calls for avoiding ‘unilateral actions’ to change status quo,” *Deccan Herald*, August 12, 2022, <https://www.deccanherald.com/world/taiwan-issue-india-calls-for-avoiding-unilateral-actions-to-change-status-quo-1135493.html>. Accessed on January 21, 2024



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