



Funded by
the European Union

CHINA HORIZONS

DEALING WITH A RESURGENT CHINA

December 2023

Navigating Taiwan relations in 2024: Practical considerations for European policy makers

Helena Legarda
Abigaël Vasselier

Mercator Institute for China Studies (MERICS)



Funded by
the European Union

The project "Dealing with a Resurgent China" (DWARC) has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement number 101061700. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union. Neither the European Union nor the granting authority can be held responsible for them.

Abstract

On 13 January 2024, the Taiwanese people will vote for their next President, and with that the future of their relations with Beijing. China's approach to relations with Taiwan has changed under President Xi Jinping, and this has led all of Taiwan's political parties to reshape their policy platforms including related to the question of dialogue with Beijing, but also to their trade and economic strategies, as well as defense and foreign policy priorities. This policy brief explores how, in the context of increased geopolitical tensions between the US and China, different results of Taiwan's presidential elections might shape cross-Strait relations and regional dynamics. It analyzes how these results will affect Europe's current approach to Taiwan and tensions in cross-Strait relations and identifies priorities to prepare for challenges ahead.

Key findings

- **Taiwan is preparing for its January 13 presidential elections and a government transition at a critical geopolitical moment:** US-China competition has become the new normal, war is raging in Ukraine and Gaza, the US faces a divisive presidential election in November 2024 and China is mired in an economic slowdown and societal tensions.
- **The situation in the Taiwan Strait is increasingly volatile.** Since President Xi Jinping came to power, Beijing has adopted a more aggressive posture towards Taiwan, stepping up military activities in the region and pressure on Taiwan's international allies. Meanwhile, support for 'reunification' continues to fade in Taiwan, narrowing Beijing's options to achieve its strategic objective to more coercive ones.
- **The results of the presidential elections are unlikely to fundamentally shift the current trajectories in cross-Strait and regional tensions in the long run.** Other factors, especially US-China relations and the domestic situation in China are much more likely to structurally change regional dynamics.
- **In the short to medium term, the impact of the elections will be felt in the Taiwan Strait and across the region,** as all actors adjust to the new administration's tone and policy priorities. A DPP win, which Beijing sees as the worst outcome, would create a scenario of continuation and of further accumulation of tensions. A KMT victory, on the other hand, would likely diffuse tensions in the short run, as both sides of the Strait attempt to reestablish dialogue.
- **Europe has only belatedly begun to wake up to how deeply its interests are linked to the status quo in the Taiwan Strait.** US-China technology competition, China's aggression in the Strait and its coercion against Lithuania for allowing the opening of a Taiwan Representative Office in Vilnius have sounded the alarm. But Europe has yet to give sufficient attention to the intricacies of this vibrant democracy or the impact of its domestic politics on cross-Strait relations and regional dynamics.
- To ensure an appropriate response to all post-election scenarios, and to future-proof its interests in the region and its relations with Taiwan, **the EU needs to act on six priorities,** including increasing knowledge, improving preparedness and resilience, working towards deterrence, building a solid bilateral agenda with Taiwan, and seeking partners.

1. Why elections in Taiwan matter to the EU

Taiwan is preparing for its January 13 presidential elections and a government transition at a critical geopolitical moment: the winner faces a fraught strategic environment. US-China competition has become the new normal. War is raging in Ukraine and the Middle East is at risk of being sucked into the Israel-Hamas conflict. The US faces a divisive presidential election in November 2024 and there are EU elections in June. China is mired in an economic slowdown and societal tensions, and the situation in the Taiwan Strait is increasingly volatile. As the status quo in the Strait becomes more unstable, a rising Taiwanese identity and vibrant democracy dim Beijing's chances of 'peaceful reunification',¹ and US-China competition worsens, the risk of escalation – whether accidental or intentional – is becoming all too real.

The three candidates running in the elections have put forward their political platforms, each reflecting different proposals for the future of Taiwan. The fundamental difference between them lies in their views on cross-Strait relations, though they also have different approaches to economic and trade policy, energy policy, relations with allies or national defense. In the longer run, the upcoming presidential elections are unlikely to fundamentally change the current direction of tensions in the region. They will, however, have an immediate impact not only on cross-Strait relations, but also on US-China ties and broader regional dynamics.

Europe has only belatedly begun to wake up to how deeply its interests are linked to the status quo in the Taiwan Strait. US-China technology competition, China's aggression in the Strait and its coercion against Lithuania for allowing the opening of a Taiwan Representative Office in Vilnius have sounded the alarm. As shown in the MERICS report "Profiling relations of European countries with China",² Taiwan has now emerged as a topic in European member states' dealings with Beijing and has joined the long list of irritants between China and the EU. Europe is learning how to navigate the grey zones of the EU's One China policy and the growing uncertainties in the Taiwan Strait. But it has yet to give sufficient attention to the intricacies of this vibrant democracy or the impact that its domestic politics might have on cross-Strait relations and the stability of the region more broadly. The EU and its member states must therefore be fully alert to developments related to the elections, as they can directly impact European interests and security.

2. China's changing approach to Taiwan

Since President Xi Jinping came to power, China's leadership has become more aggressive towards Taiwan. Communication channels and political exchanges between Taipei and Beijing have all but collapsed, and China's military pressure on Taiwan has grown exponentially. More than 1,700 People's Liberation Army (PLA) aircraft entered Taiwan's air defense identification zone (ADIZ) in 2022 —almost double the 2021 numbers. More than 500 crossed

¹ 'Reunification' is the term used by the Chinese Communist Party (CCP) to convey its assertion that Taiwan has long belonged to China. This term is mostly rejected in Taiwan, where the terminology used is 'unification', emphasizing that Taiwan has never been controlled by the CCP or the People's Republic of China (PRC).

² Ghiretti, Francesca; Legarda, Helena; Stec, Grzegorz; Vasselier, Abigaël (2023). "Profiling relations of European countries with China". October 31. <https://merics.org/en/profiling-relations-european-countries-china>. MERICS.

the median line in the Strait, compared to less than 40 in 2020 and none in 2021.³ Amid Beijing's ceaseless efforts to isolate Taiwan internationally, Taipei has lost nine formal diplomatic allies since current president Tsai Ing-wen took office in 2016, leaving it with only 13.⁴

Xi's Taiwan policy brings a tougher approach to long-standing goals

Beijing outlined its approach to Taiwan in an August 2022 White Paper,⁵ the first since Xi came to power.⁶ It reflects his priorities and is likely to remain the foundation of China's Taiwan policy at least until Xi's current term of office ends in 2027.

There was substantial continuity in goals and overall strategy: the objective remains "national reunification" and the preferred strategy "peaceful reunification" without renouncing the use of force. As Xi told the 20th Party Congress in October 2022, "we insist on striving for the prospect of peaceful reunification with the greatest sincerity and best efforts, but we [...] reserve the option to take all necessary measures".⁷ However, the White Paper also contained some changes in content and emphasis.

For the first time, "national reunification" was officially linked with Xi's goal of achieving the "national rejuvenation of the Chinese nation" in a policy document, though many statements and speeches had already drawn the connection. The linkage brings some urgency to Beijing's ambition to take Taiwan, as Xi has set the target date of 2049 for achieving national rejuvenation. Beijing's choices regarding Taiwan, however, do not follow a pre-determined timeline. Instead, they respond to the international environment and to other foreign and domestic factors.

But the starkest change is Beijing's vision for post- 'reunification' Taiwan. The 'One country, two systems' model remains on the table (though President Tsai Ing-wen has formally rejected it)⁸ but the formula has changed. Beijing previously offered a "looser form" of the model. New language suggests a governance model similar to the one imposed on Hong Kong, where the primacy of Beijing's policies and legislation would eliminate most of the freedoms Taiwan currently enjoys.

Domestic and international instability increase risks

The shift reflects Beijing's response to what it sees as an increasingly hostile international environment amid challenging domestic circumstances. Under Xi, the CCP has turned China's "comprehensive national security" into a key paradigm that permeates all aspects of governance. A security-first approach is taking hold and pragmatism is giving way to ideology, raising tensions in the Taiwan Strait.

³ Ministry of National Defense of the Republic of China. "Military News Update". <https://www.mnd.gov.tw/english/PublishTable.aspx?types=Military%20News%20Update&Title=News%20Channel>. Accessed: December 18, 2023.

⁴ Ministry of Foreign Affairs of the Republic of China. "Diplomatic Allies". <https://en.mofa.gov.tw/AlliesIndex.aspx?n=1294&sms=1007>. Accessed: December 18, 2023.

⁵ State Council Information Office of the People's Republic of China (2022). "The Taiwan Question and China's Reunification in the New Era". August 10. <https://english.news.cn/20220810/df9d3b8702154b34bbf1d451b99bf64a/c.html>. Accessed: December 18, 2023.

⁶ Beijing has published two previous white papers on Taiwan, in 1993 and 2000.

⁷ Xinhua (2022). "Full text of the report to the 20th National Congress of the Communist Party of China". October 25. <https://english.news.cn/20221025/8eb6f5239f984f01a2bc45b5b5db0c51/c.html>. Accessed: December 18, 2023.

⁸ Lee, Yimou (2019). "Taiwan leader rejects China's 'one country, two systems' offer". October 10. <https://www.reuters.com/article/us-taiwan-anniversary-president-idUSKBN1WPOA4>. Reuters. Accessed: Dec 18, 2023.

"Taiwan is the core of China's core interests", as the Vice-Chairman of the Central Military Commission Zhang Youxia told the 2023 Xiangshan Forum on security in late October, summarizing Beijing's new stance and promising no mercy if anyone tried to split Taiwan from China.⁹

Worsening US-China competition shows scant hope for structural improvement and forms part of the backdrop. At the long-awaited meeting between Xi and US President Joe Biden ahead of APEC's San Francisco Summit in November, Xi reportedly warned that Taiwan is the most important and dangerous issue in US-China relations, listing out the conditions under which force could be used.¹⁰ Beijing's fear of encirclement by US military alliances makes Taiwan – strategically located along the First Island Chain – more consequential and contributes to China's tougher military posture. Meanwhile, the US and other powers equally see the need to step up their military presence and strengthen ties with regional partners such as Japan, South Korea or Australia in order to push back against China's more aggressive posture.

Among Taiwan's population, support for 'reunification' has continued to fade, narrowing Beijing's likely options to more coercive ones. Only 2.5 percent of Taiwanese identified as solely "Chinese" in a June 2023 survey, down from 3.3 percent in 2013, while only 7.4 percent supported any form of unification with the PRC, down from around 11 percent in 2013.¹¹

Military action to take Taiwan seems unlikely at present, though China's military is openly preparing for a Taiwan contingency. For now, Beijing still prefers grey zone tactics, using non-kinetic warfare methods to pressure Taiwan's government and people. Ahead of the elections, Beijing is watching Taiwan's opinion polls closely and deploying influence and disinformation tools in hopes of shaping the dynamics in favor of its preferred candidate(s).

3. Cross- Strait relations are at the center of the elections

Understanding the positions and policy programs of each party and candidate running in the 2024 elections – the Democratic Progressive Party's (DPP) Lai Ching-te, the Kuomintang's (KMT) Hou Yu-ih and the Taiwan People's Party's (TPP) Ko Wen-je – and how Beijing views them, is vital to assess how different outcomes might alter the status quo and cross-Strait relations, and how Europe's interests may be affected.

Public views on 'reunification', independence and the status quo heavily influence Taiwanese political parties' positions on cross-Strait relations, and will continue to do so in future elections. Today, Taiwanese identity has changed and the people mostly favor maintaining the status quo.¹² As a result, and despite their varying approaches to relations with China, neither of the

⁹ Xinhua (2023). "10th Xiangshan Forum formally opens in Beijing". October 30. <https://english.news.cn/20231030/913df68ec0734234b48e19d292378c6f/c.html>. Accessed: December 18, 2023.

¹⁰ Mason, Jeff and Hunnicutt, Trevor (2023). "Xi told Biden Taiwan is biggest, most dangerous issue in bilateral ties". November 16. <https://www.reuters.com/world/us/xi-told-biden-taiwan-is-biggest-most-dangerous-issue-bilateral-ties-us-official-2023-11-16/>. Reuters. Accessed: December 18, 2023.

¹¹ National Chengchi University, Election Study Center (2023). "Trends of Core Political Attitudes". <https://esc.nccu.edu.tw/eng/PageDoc?fid=7424>. Accessed: December 18, 2023.

¹² National Chengchi University, Election Study Center (2023). "Taiwan Independence vs. Unification with the Mainland (December 1994 to June 2023)". <https://esc.nccu.edu.tw/eng/PageDoc?fid=7424>. Accessed: December 18, 2023.

three parties wants to pursue Taiwan's independence, nor are they likely to prove conducive to making progress towards 'peaceful reunification' as Beijing might hope. Instead, and in line with public opinion on this issue, all three favor the preservation of the status quo, though with different modalities and nuances. This way, the results of these presidential elections are unlikely to fundamentally shift the current trends in cross-Strait and regional tensions in the long term. Other factors, especially US-China relations, Beijing's views on the PLA's capabilities and the likelihood of US intervention in case of conflict, and the domestic situation in China are much more likely to structurally change regional dynamics.

In the short to medium term, however, the impact of the elections will be felt strongly in the Taiwan Strait and across the region. All actors, in the Indo-Pacific and elsewhere, will have to adjust to the new administration's tone and priorities, as well as its agenda on other key policy issues.

Beijing frames the elections as a statement on support for independence

Beijing's major focus is the candidates' stance on Taiwan's future status and 'reunification' with the mainland. China's leaders tend to frame the issue as a binary choice between backing the 1992 Consensus¹³ or Taiwan's independence.¹⁴ Chinese leaders and state media often criticize two-term president Tsai Ing-wen and her party (the DPP) for their "separatist" stance and rhetoric, especially since Tsai officially rejected the 1992 Consensus in a 2019 speech. Conversely, her predecessor, the KMT's Ma Ying-jeou, remains an important interlocutor for Beijing who has endorsed the consensus.

Reality is less binary. None of the three presidential candidates advocate radical change to the status quo, though they differ on how to manage tensions and the relationships with Beijing and Washington. However, all three have made their preferred relationship with China central to their programs. Cross-Strait relations shape topics from economic policy to energy. Hence, there is a clear distinction between the DPP's Lai Ching-te – who has previously called Taiwan a de facto independent nation¹⁵ and is skeptical of engagement with the PRC – and the "pan-blue"¹⁶ camp of the KMT's Hou Yu-ih and the TPP's Ko Wen-je. With nuances, they are both open to or support reopening dialogue with Beijing to improve stability in the Taiwan Strait. The KMT has leaned heavily on this distinction, calling the election a choice between war or the KMT. Attempts to form a joint KMT-TPP ticket, however, failed amid disagreement over who would take the president slot.¹⁷

¹³ The 1992 Consensus is a term used to refer to a supposed agreement reached by semi-official representatives of the PRC and the Republic of China (under the KMT) reached during a 1992 meeting in Hong Kong. The consensus, however, is disputed. The PRC views it as an agreement that both sides of the Strait are part of One China, with Beijing as the only legitimate government, and considers recognition for this take as a requirement for positive cross-Strait relations. Meanwhile, in Taiwan, the KMT maintains that there is One China, but with "respective interpretations" as to what 'China' is; while the DPP has never accepted the formula.

¹⁴ Xi, Jinping 习近平 (2019). "在《告台湾同胞书》发表 40 周年纪念会上的讲话 (Speech at the Meeting Marking the 40th Anniversary of the Issuance of the Message to Compatriots in Taiwan)". January 2. https://www.fmprc.gov.cn/ziliao_674904/zl_674979/dnzt_674981/qtzt/twwt/xjzsjstzyjh/202206/t20220606_10698873.html. Accessed: December 18, 2023.

¹⁵ Weber, Joel and Wang, Cindy (2023). "Can Taiwan's Next Leader Keep the Peace?". August 15. <https://www.bloomberg.com/news/newsletters/2023-08-15/taiwan-vice-president-lai-ching-te-on-the-status-quo-with-china>. Bloomberg. Accessed: December 18, 2023.

¹⁶ The name refers to the blue party color of the Kuomintang (KMT).

¹⁷ Chung, Lawrence (2023). "KMT-TPP joint presidential ticket talks break down over technicality". November 18. <https://www.scmp.com/news/china/diplomacy/article/3242022/taiwan-elections-kmt-tpp-joint-presidential-ticket-talks-break-down-over-technicality>. South China Morning Post (SCMP). Accessed: December 18, 2023.

Issue	DPP	KMT	TPP
Candidates	Lai Ching-te (P) and Hsiao Bi-khim (VP)	Hou Yu-ih (P) and Jaw Shaw-kong (VP)	Ko Wen-je (P) and Wu Hsin-ying (VP)
Cross-Strait relations	Rejects 1992 Consensus Open to dialogue with Beijing that does not compromise Taiwan's sovereignty	Supports 1992 Consensus Supports dialogue with Beijing	Rejects 1992 Consensus Supports dialogue with Beijing
Taiwan autonomy	Taiwan is a de facto sovereign nation	Opposes Taiwan's independence	Somewhat inconsistent, focused on preserving Taiwan's autonomy
Foreign policy focus	Values-based diplomacy, alliances with democratic nations	Deterrence, dialogue and de-escalation	Dynamic equilibrium between the US and China
US	Strengthen ties with key democratic partner	Deepen collaboration	Deepen cooperation while maintaining balance between US and China
Europe	Mentioned in the context of values-based diplomacy	Not mentioned	Not mentioned
National defense	Peace through strength: strengthen military, continue to buy arms from US	Deterrence, dialogue and de-escalation; focus on cyber-resilience, public-private cooperation	Strengthen the military, increase budgets, focus on recruitment
Economic security	Increase supply chain resilience, diversification	Increase supply chain resilience	Safeguard supply chain security
Trade	Pursue trade agreements with like-minded partners, reduce dependencies on China	Enhance cooperation with China, reduce risks	Trade liberalization, reduce dependencies on China
Energy security	60-70% renewables by 2050 Supports decommissioning of nuclear plants	Coal-free by 2040, net zero by 2050 Opposes nuclear phase-out	30% renewables by 2030 Supports extending operations of nuclear plants
Constitutional reform	Abolish the Examination and Control Yuans	Unclear	Creation of a cabinet system

A DPP win is the worst-case scenario for Beijing

Overall, official mainland sources have stayed relatively quiet on the elections, apart from attacking Lai Ching-te and the DPP for “separatism”. Chinese state media has called Lai provocative and aggressive and a “practical worker for Taiwanese Independence” (務實的台獨工作者, a phrase Lai has also used to describe himself) who could unwittingly accelerate ‘reunification’.¹⁸ His joint ticket with former representative to the United States Hsiao Bi-khim was branded “the most dangerous combination” (最危险组合).¹⁹ Beijing perceives Hsiao as working to promote Taiwan-US relations, including through recent deliveries of US military equipment. Nationalistic state mouthpiece Global Times warned a DPP victory next year would worsen security in the Taiwan Strait.²⁰ Some Chinese analysts have also suggested that if Lai gets elected, Beijing will immediately move to suspend at least parts of the Economic Cooperation Framework Agreement (ECFA) – a China-Taiwan free trade agreement signed in 2010.

Beijing would prefer any other winner, though it leans towards the KMT, whose ex-president Ma Ying-jeou oversaw a period of close engagement while in office from 2008 to 2016. He held a summit with Xi in Singapore in 2015 which was the first meeting of Taiwanese and PRC presidents since 1949. Despite attempts to shed its ‘pro-China party’ image in order to better align with the shifting public views on the PRC and ‘reunification’ in Taiwan, only KMT representatives continue meeting with Chinese officials. In August, KMT vice-chairman Andrew Hsia visited China, meeting with Song Tao, head of the Taiwan Work Office of the CCP Central Committee.²¹ And in March, Ma Ying-jeou hit another first: he became the first sitting or former Taiwanese leader to visit China since 1949.²²

KMT presidential candidate Hou, meanwhile, has picked media mogul Jaw Shaw-kong as his running mate. The choice is likely to find favor in Beijing, given Jaw’s deep-blue politics, past support for ‘reunification’ and skepticism towards the United States.

Beijing attempts to influence the results

China’s aggressive rhetoric against the DPP, coupled with relative silence on the KMT and TPP’s candidates shows Beijing would prefer Lai does not win. However, endorsing its preferred candidate(s) could damage their chances, so it is unlikely to do so. Lack of endorsement, nevertheless, does not imply that Beijing is staying clear of developments. China has a long history of using multiple tools to interfere in Taiwan’s elections, and this one will be no exception.

One such measure is the increasingly frequent drills and activities around Taiwan by China’s People’s Liberation Army’s (PLA), particularly after DPP statements or actions it disapproves of. This fearmongering is designed – alongside fake news and other disinformation – to shape a

¹⁸ Ministry of Foreign Affairs of the People’s Republic of China (2023). “Foreign Ministry Spokesperson Wang Wenbin’s Regular Press Conference on August 21, 2023”. August 21. http://de.china-embassy.gov.cn/det/fyrth/202308/t20230821_11129775.htm. Accessed: December 18, 2023.

¹⁹ CCTV (2023). “赖萧“双独组合”只会将台湾推向灾难深渊 (Lai-Hsiao “Double Independence Combination” Will Only Push Taiwan Toward the Abyss of Catastrophe)”. November 20. https://www.thepaper.cn/newsDetail_forward_25364349. Accessed: December 18, 2023.

²⁰ Yang, Sheng (2023). “Candidates begin registering for Taiwan regional leader election”. November 20. <https://www.globaltimes.cn/page/202311/1302178.shtml>. Global Times. Accessed: December 18, 2023.

²¹ Xinhua (2023). “Mainland’s Taiwan affairs official meets with KMT vice chairman”. August 30. <https://english.news.cn/20230830/312bd398c6be435596985bf4770dd27a/c.html>. Accessed: December 18, 2023.

²² Chan, Nicoco (2023). “‘We are all Chinese’, former Taiwan president says while visiting China”. March 28. <https://www.reuters.com/world/asia-pacific/we-are-all-chinese-former-taiwan-president-says-while-visiting-china-2023-03-28/>. Reuters. Accessed: December 18, 2023.

false choice between war or peace to draw voters away from the DPP. There is a strong correlation between the number and frequency of PLA activities around Taiwan and election results that Beijing dislikes. Before Tsai Ing-wen's electoral win in 2016, aircraft crossings of the median line, passages through the Strait by PLA Navy (PLAN) aircraft carriers and large-scale maritime exercises around the island were almost unheard of.

Beijing also uses fake news and propaganda channels to exploit voter concerns and shape Taiwanese public opinion. An Information Operations Research Group study, released in September 2023, found more than 80 examples of China promoting suspicion of the United States and its commitment to Taiwan in the past three years.²³ Narratives being pushed also depict independence as a dead end, or foreign support as unreliable.

Taiwan National Security Bureau Director General Tsai Ming-yen has also flagged up that Beijing's cooperation with Taiwan's opinion poll and public relations companies could lead to manipulation of pre-election opinion polls, though he gave no company names or specific cases.²⁴

Beijing also deploys trade and economic policy decisions for political ends. Examples include restrictions on imports of Taiwanese agricultural products, such as mangoes, in August 2023,²⁵ or the October 2023 announcement of an investigation into iPhone maker Foxconn.²⁶ Such threats aim to weaken DDP support. The Foxconn tax probe may also have sought to pressure Foxconn's wealthy founder Terry Gou – who eventually withdrew his independent candidacy just before final nominations and could have taken votes from the KMT.

Beijing's reaction will differ depending on who wins in January. China's response and that of other key players will shape regional trade and security dynamics. Below, we explore the two most likely election results scenarios.

4. Assessing the impact of the elections on cross-Strait relations and regional dynamics

The presidential elections will impact cross-Strait relations, US-China relations, and broader regional dynamics, especially in the short to medium-term. The scenarios below focus on the immediate effects of the elections in terms of Taiwan's relations with Beijing, Washington and other regional partners. But other longer-term factors, such as China's domestic dynamics, the

²³ Yu, Chihhao (2023). "US Skepticism Narratives and Where They Come From". August 8. <https://iorg.tw/en/a/us-skepticism-238>. Taiwan Information Environment Research Center (IORG).

²⁴ Chen, Yufu (2023). "有民調公司資金來自中國！國安局證實中共邀負責人、學者赴中 (Some pollsters are funded by China! NSA confirms CCP invites leaders, scholars to China)". November 6. <https://news.ltn.com.tw/news/politics/breakingnews/4481278>. Liberty Times. Accessed: December 18, 2023.

²⁵ Chau, Thompson (2023). "China squeezes Taiwan with military drills, trade threats, mango ban". August 24. <https://asia.nikkei.com/Politics/International-relations/Taiwan-tensions/China-squeezes-Taiwan-with-military-drills-trade-threats-mango-ban>. Nikkei. Accessed: December 18, 2023.

²⁶ Makortoff, Kalyeena (2023). "China launches tax investigations into Apple iPhone maker Foxconn". October 23. <https://www.theguardian.com/technology/2023/oct/23/china-launches-tax-investigations-into-apple-iphone-maker-foxconn>. The Guardian. Accessed: December 18, 2023.

US presidential elections and the domestic politics of regional players will also play a key role in shaping future trajectories.

After a DPP victory

A win for DPP candidate Lai Ching-te seems the most likely scenario, based on polls up to early December 2023. Lai's policy platform suggests he is the continuity candidate, and he may even keep key personnel in place. He would double down on outreach to like-minded allies and partners, continue to modernize Taiwan's military and resist being intimidated into negotiations by Beijing.

For Beijing, a Lai victory is the least favorable outcome. China's leadership is likely to be on edge ahead of Lai's inauguration, four months away in May 2024, and alert for real or perceived signs of support for Taiwanese independence. A brief Chinese show of force in the weeks after the election is possible as it would enable Beijing to set the tone for the next four years. More structurally, a Lai victory would bring a continuation or even gradual intensification of Beijing's frequent military activities around Taiwan, economic coercion, and pressure on countries that officially recognize Taiwan, in line with current trends.

A minority Yuan

In a modified version of this scenario, Lai wins the presidential elections, but the DPP fails to reach a majority in the Legislative Yuan. Although Taiwan's presidential system would give Lai the big-picture foreign and defense policy decisions, his real power would be limited by a KMT/TPP-controlled legislature. Defense budgets or arms procurement decisions could be blocked. This scenario could inject some short-term stability into the region; both Beijing and Washington would be relieved at the constraints on any DPP pro-independence elements. Longer-term, however, blocking defense spending could set back military modernization and weaken Taiwan's deterrence.

Ahead of the US presidential elections in November 2024, the Biden administration's Taiwan policy is very unlikely to change – it will continue support, arms sales, and a strong US military presence in the region, mixing credible deterrence and reassurances to Beijing. It is also likely to warn (privately, at least) against pro-independence comments from Lai. Washington is likely to feel reassured by the DPP's vice presidential pick in this regard.

A Lai presidency would need outreach to the United States and others to pursue his agenda of stronger regional partnerships and reduced dependencies on China. Important partners are Japan, Australia and Europe (to a lesser extent), especially for trade agreements to increase economic security through diversification.

Overall, a DPP victory would imply a degree of predictability. In the long run, there is little prospect that regional security will structurally improve or tensions in the Strait will lessen in any scenario. But as Beijing is dealing with a sluggish economy and waiting to see the results of the US presidential elections, it is unlikely to fundamentally shift its approach in 2024. Short-lived military shows of force, like those seen after former House Speaker Nancy Pelosi's visit to Taiwan in August 2022, are possible or even likely. But overall, Beijing is likely to stick to current levels of pressure in order to prevent any potential escalation.

Washington is seeking ways to manage both US-China and cross-Strait tensions. Key to managing these tensions will be the reopening of US-China communication channels after the San Francisco Summit, including in the military-to-military space.

After a KMT victory

A win for KMT candidate Hou Yu-ih would create space to diffuse tensions in the short run, as the KMT is likely to open communication channels with Beijing. Nonetheless, it remains hard to map the KMT's path to longer term solutions. Further down the line, a KMT victory could even lead to increased tensions if Beijing finds itself unable to benefit from a KMT presidency to progress towards 'reunification' with Taiwanese consent. Meanwhile, Hou would likely find it difficult to strike a balance between this outreach to Beijing and ramping up Taiwan's deterrence.

From Beijing's perspective, a KMT victory would be the ideal scenario. Hou and his KMT old guard running mate Jaw Shaw-kong advocate stronger links to mainland China. Any renewed dialogue would most likely focus on preferential trade and economic treatment, which finds favor with KMT voters and Taiwanese businesses. The KMT economic agenda is to continue deepening trade and economic relations with China, while being aware of dependencies and vulnerabilities. The KMT is therefore likely to urge companies to stay in China and look for new business opportunities.

As a KMT presidency may be one of Beijing's last chances for 'reunification' with Taiwanese consent, failure to make progress in this direction would lead Beijing to reassess its options and possibly increase its pressure tactics and its willingness to use force in the longer run. A KMT victory, however, does not mean 'peaceful reunification' is on its way. A greater sense of Taiwanese identity among voters has pushed the KMT to the center and to adapt to newer domestic concerns.

A KMT victory would therefore usher in a 'wait and see' period for all – Beijing, Washington and its Indo-Pacific partners – to understand new dynamics in cross-Strait relations. During this period, Beijing is likely to continue grey zone tactics, including military drills, albeit at lower intensity. Pressure on diplomatic allies will remain as well.

Hou's capacity to build trust and coherence between Taipei and its partners will shape his outcomes. Throughout the campaign, Hou has worked not to be seen as anti-US, visiting in September and declaring it "Taiwan's sincerest ally and friend". Under a Hou presidency, Taiwan-US relations would likely be managed with limited public-facing activities. Taiwan's balancing act, reliant on Washington for security and having to consider Beijing for its political and economic future will imply inevitable tradeoffs that may be tricky for the KMT. For instance, a push to open talks with Beijing risks embarrassing the Biden administration in an election year.

As the KMT opens dialogue with Beijing in line with its political platform, it will have to carefully navigate China's ambitions for 'peaceful reunification' and its own narrative of 'One China'. This has the potential to create confusion among partners regarding the KMT's long term plan for cross-Strait relations. This might also create a window of opportunity for China, which will seek to leverage this confusion to try to bring Hou and the KMT on board with its plan to advance towards 'peaceful reunification'.

5. The way forward for Europe

Taiwan's presidential elections will also create challenges for Europe, which is only now awakening to the complexity of cross-Strait relations and regional dynamics. Europe's ambitions in the Indo-Pacific and its increased awareness of the challenges posed by China have led to a slow shift in the EU's approach to Taiwan. Europe is now focused on strengthening bilateral relations and on improving the clarity of its posture on cross-Strait relations. Regardless of the result, however, the upcoming elections will lead to a changed landscape in Taiwan and in the region, which will require rapid adaptation on the part of the EU. To be better prepared for the various potential scenarios, Europe still has some work to do to increase its awareness of domestic dynamics in Taiwan and to build preparedness and deterrence in the Strait.

Europe's approach to Taiwan and cross-Strait relations

Taiwan has been defined as a like-minded EU partner since 2018, and the EU has leveraged its One China policy to deepen EU-Taiwan relations in all areas and sectors that do not imply diplomatic recognition. This has been a success, given that Taiwan has become the EU's 15th largest trading partner, with total trade in goods reaching a record of EUR 97,6 billion in 2022, though far overshadowed by China's EUR 856 billion.²⁷

Today, Taiwan is seen by the EU primarily as a trading partner like any other in Asia, with similar issues related to trade barriers and the low level of investments in Europe, and as a key node in high-tech supply chains. It is only in third place that Europe considers Taiwan and the Taiwan Strait as a long-term security challenge that could impact the rules-based international order and EU-China relations. Distant fourth place goes to Taiwan as a vibrant democratic partner with shared values. Hence, the effects of Taiwan's presidential elections get little consideration.

European views of cross-Strait relations have for a long time been defined by China. The EU only started to voice specific concerns in 2020, startling Chinese officials by raising cross-Strait tensions at the December 2020 EU-China security and defense consultations.²⁸ Opening a space for the EU to raise its concerns on Taiwan has been a difficult endeavor due to the limited understanding of what is at stake, difficulties to build a solid position in the Council, and a degree of uncertainty regarding China's potential reaction – or possible overreaction. EU leaders have backed the status quo in the Taiwan Strait, called for dialogue between Taiwan and China, and reaffirmed the extent of the EU's One China policy. The EU has also opposed the erosion of the status quo by coercion or force.

Europe has limited experience dealing with Beijing's pushback over China's core interests, most of which has been mild. European countries have been rebuked for engaging with the Dalai Lama. The EU and its member states have also been criticized for navigating tensions in the region by sending warships to maintain free passage in the South China Sea, where Chinese naval bases are a fait-accompli. Beijing's strongest response was 'tit for tat' sanctions over

²⁷ European Commission. "EU trade relations with Taiwan". https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/taiwan_en. Accessed: December 18, 2023.

²⁸ European External Action Service (2020). "China: 11th consultations on security and defence". December 11. https://www.eeas.europa.eu/eeas/china-11th-consultations-security-and-defence_en. Accessed: December 18, 2023.

human rights in Xinjiang. But limited European reactions to its crackdown on Hong Kong may have contributed to emboldening China on Taiwan. As of today, China's coercive measures, political pressure and punishment has not had a major deterrent effect on most European players.

Europe-Taiwan relations will be affected by election outcomes

For Europe, a DPP victory implies political continuity and a known trajectory in the Taiwan Strait, though Beijing's response would be less predictable in the longer run.

A DPP victory would bring increased Taiwanese interest in deepening economic relations with the Union:

- The DPP would certainly take stock of past difficulties in order to be more successful in deepening trade relations with the EU – for instance moving away from a highly symbolic Bilateral Investment Agreement to a more pragmatic bilateral agenda.
- The DPP could also further develop its economic security agenda and de-risking efforts by sharing experiences and creating some synergies with the EU's own de-risking agenda.

In security matters, unity will be key for Europe to calibrate its response to:

- Foreseeable tensions in the Taiwan Strait, without losing sight of the chances of potential escalation, no matter how unlikely it might seem.
- Pressure from the Indo-Pacific partners and the US to align on preparedness, deterrence and resilience.

A DPP victory would continue to push Europeans to prepare for all scenarios in the Taiwan Strait.

A KMT victory would also mean a fair degree of political continuity in relations with Taipei though Taiwan's trajectory would need observation and gradual adjustment.

- Europe would need to take some time to understand and assess how the KMT will find an equilibrium between its own narrative on One China and China's narrative on the future of cross-Strait relations. This time could be used for the EU to increase its engagement with Taiwan.
- Europe's stance on dialogue between China and Taiwan could become a divisive issue among member states, as it may trigger misunderstanding and confusion on the European side while Taipei focuses on opening the space for dialogue with China and on reassuring Washington.
- Deepening the economic and trade relationship with Europe, including on sectoral cooperation, may slow down.

In security matters, the risk for Europe from a welcome decrease in tension in the Taiwan Strait would be a loss of focus on working together with regional allies and partners on Taiwan. Given the urgent situations in the Middle East and Ukraine, it would be easy for Europe to neglect preparedness and deterrence in the Indo-Pacific.

Six priorities for Europe after the Taiwanese elections

The different post-election scenarios show that Europe needs to be ready for Taiwan to become a major challenge in the long run, even if the immediate impact of the elections seems minor. There is increasingly a sense of urgency for Europe to prepare itself, increase its resilience and contribute to deterrence. This needs to be accompanied by a consistent push to build European knowledge and understanding of Taiwan, as well as to improve the EU's capacity to engage China on cross-Strait relations. Working together with partners and solidifying the EU's bilateral relations with Taiwan will be an essential component of this process that is meant to help Europe better navigate 2024 as well as potential future disruptions to the status quo in the Taiwan Strait.

1. Work on preparedness and resilience

The conjunction of the US and Taiwanese elections in 2024 will mean more potential volatility in the Taiwan Strait regardless of the results. As the scenarios have shown, neither a DPP nor a KMT victory are likely to permanently reverse current trends towards greater tensions in the region. As such, it is no longer optional for the EU to work on its preparedness and resilience towards a crisis in the Strait. What is needed:

- **Unity:** a discussion on Taiwan at the Foreign Affairs Council after the Taiwan elections and before the EU parliamentary elections in June and the US elections in November would be a good first step to build consensus.
- **Planning:** scenario planning at the national and European level for a blockade, supply chain disruption or 'reunification' talks to help member states understand the chains of consequences and map EU vulnerabilities.
- **De-risking:** preparing for different scenarios in the Taiwan Strait could be integrated into the EU's efforts to de-risking relations with China. Addressing EU vulnerabilities and choke points in different scenarios would become necessary.
- **Toolbox:** preparing a set of responses at the national and European level to address the risks in both a preemptive and a reactive manner. The European toolbox could range from becoming more vocal with EU statements on Taiwan, to considering potential sanctions.

2. Work towards deterrence

Given the limited impact of these elections on current trends in the Taiwan Strait, the risk of conflict cannot be ignored. While unlikely over the next few years, the accumulation of tensions means that escalation – whether intentional or accidental – will become an increasingly distinct possibility. Europe will not become a military player in the Taiwan Strait or a key regional player any time soon, nor does the EU have the bandwidth to develop an over-secitized relationship with China. But Europe should not accept *fait accompli* or the unfettered use of grey zone tactics in the Strait. To prevent conflict and preserve stability, it must develop an agile and flexible toolbox for credible deterrence by striking a balance between:

- Supporting Taiwan's defensive capabilities, especially in dealing with economic coercion and foreign interference and manipulation of information. This could also entail information sharing with Taiwan, training and capacity building, or fostering exchanges at the national and European level.

- Cooperating with the US and other allies on collective credible deterrence that entails both credible threats and assurances.
- Reassuring Beijing of the EU's commitment to its One China policy, while reacting to any attempts by China to change the status quo.

3. Build public knowledge

Fostering knowledge of Taiwan through the media and more people-to-people contacts should be a priority. Preparedness efforts cannot work without European public opinion being more aware of Taiwan and of cross-Strait dynamics. A better understanding of Taiwan would lessen confusion over the conduct of the EU's One China policy, widen pragmatically the space for cooperation with Taiwan, and enable Europe to navigate US-China geopolitical tensions better.

This might prove particularly necessary in case of a KMT win next year. The reopening of dialogue between Taipei and Beijing is likely to lead to a renewed conversation regarding the meaning of One China and the role that Europe should play if tensions are reduced after the elections. This will not only create challenges for the EU's positioning, but without increased public knowledge of Taiwan, it can also lead to misunderstandings and dissatisfaction at home with the EU's approach.

4. Build institutional knowledge to navigate cross-Strait relations

Also essential for Europe's capacity to navigate cross-Strait relations will be the building up of institutional knowledge on Taiwan, China's views and objectives, and the potential impact on European interests and security. This will help Europe navigate 2024, regardless of the results of the presidential elections, but especially in case of a KMT win that would give rise to new dynamics that Europe is not used to. But it will also form the basis for European responses to future elections in Taiwan or other shifts to the current status quo.

Dealing with cross-Strait relations with a more assertive Chinese leadership will continue to demand political agility and a deep knowledge of PRC views on the issue. European leaders and policy makers need to develop a clear understanding of what is at stake – from the 1992 Consensus to Taiwan's space in international organizations – in order to move beyond current calls for maintaining the status quo or for a resumption of dialogue. This also means repeatedly communicating to Beijing that the EU needs the space to address Taiwan, together with other foreign and security issues, in their bilateral exchanges.

5. Develop a solid bilateral agenda

The best form of deterrence for the Union is to increase the cost of actions for China. And for that, fostering the bilateral agenda between Taiwan, the EU and its member states is a good course of action. This will also provide opportunities for Europe to pursue its economic and technological interests. To do so effectively after the elections, the EU will have to be mindful of and adapt its agenda to each party's priorities in terms of trade and energy policy or economic security, among other issues.

- Both sides need to rethink the trade and investment agenda by refocusing on the benefits of strengthening relations in a pragmatic manner. Moving away from the question of a potential trade agreement between the EU and Taiwan, developing discussions on new

sectors such as renewable energy while improving the business environment on both sides, and addressing trade barriers could be potential avenues. Given the Taiwanese approach and experience on de-risking and the respective levels of dependencies, developing a dialogue on economic security could be of mutual interest, although such an approach seems more likely in case of a DPP win.

- Europe should expand people-to-people exchanges with Taiwan and create incentives for Taiwan to increase its European footprint. If European citizens struggle to understand why Taiwan matters to them, then buy-in for Europe to act will be limited.
- Member states should also commit to upgrading their bilateral relations with Taiwan. This could start by increasing European presence in Taiwan by opening trade, economic or cultural offices for the member states not yet represented.²⁹ Increasing European representation would also serve to support the EU's preparedness efforts, and could help attract more European companies, people and students to Taiwan.

6. Seek partners

Over the past years, the EU has started to discuss Taiwan with like-minded partners as part of regular bilateral discussions on China. This has been institutionalized through formats such as the EU-US Dialogue on China or the G7 track on China. NATO has also become a platform to discuss challenges in the region. Facing a potential and largely foreseeable crisis at some point in the future, the EU should also turn Taiwan into a standard discussion topic with Indo-Pacific countries, regardless of their like-mindedness and regardless of the results of the 2024 elections.

Sharing analyses on the situation in the Taiwan Strait as a regional hotspot, separately from discussions on China with partners, is essential for Europe to develop scenarios and to better understand the interests and possible reactions of other actors. This should also allow for better communication and coordination in case of crisis. Tensions in the East and South China Seas have already shown that talking to countries from the whole region is valuable to diffuse friction from multiple directions.

²⁹ As of 18 December 2023, 17 Member States are represented in Taipei. This year, the European Economic and Trade Office, which represents the EU in Taiwan, celebrates its 20th anniversary.



Funded by
the European Union

The project "Dealing with a Resurgent China" (DWARC) has received funding from the European Union's Horizon Europe research and innovation programme under grant agreement number 101061700. Views and opinions expressed are however those of the author(s) only and do not necessarily reflect those of the European Union. Neither the European Union nor the granting authority can be held responsible for them.