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- produce distinctive research and fresh policy options for Australia’s international policy and to contribute to the wider international debate
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The views expressed in this paper are entirely the author’s own and not those of the Lowy Institute.
INTRODUCTION

The most consequential election of 2020 might not come at the end of the year, when US President Donald Trump seeks a second term in the White House, but much earlier and closer to home for Australia, in Taiwan this weekend.

On Saturday 11 January, the Taiwanese people will vote for their next president and legislature. Beijing will be watching this election as intently as the US poll in November.

Taiwan has long been seen as important as a proxy for the battle for hegemony between China and the United States in the region. The geo-strategic implications of China gaining control of Taiwan are nothing less than transformational, as such an event would signal the definitive end of the US-dominated post-war system in what is now the world’s most dynamic economic region.

Equally significant are the possible means by which China wins — either through a military victory, which, no matter how quickly it was achieved, would be disruptive to the global economy — or by undermining the island’s now well-established democracy, which would mark a significant advance in the rise of authoritarian global governance and undermine other democracies in Asia.

But Taiwan is significant for its own sake: as a thriving democracy, an indispensable link in global supply chains and the world’s 21st largest economy. Six months of protests in Hong Kong have only amplified the significance of Taiwan as an autonomous political entity holding out in the face of China’s authoritarianism.

Taiwan is little known by most Australians, and indeed much of the world, and not by accident. Beijing ensures the democratic island of 24 million people is airbrushed out of global affairs by demanding conformity with China’s narrative about the inevitability of Taiwan’s fate, to be unified with the mainland.

China has added pressure in recent years. It has intensified its military presence in the waters around Taiwan. China has long obstructed Taiwan’s international participation, but has taken further steps to block it from the World Health Organisation and the International Civil Aviation Organization, as well as seemingly petty moves to prevent Taiwan from hosting events such as international ice-skating competitions and film festivals. It has lured away seven of Taiwan’s diplomatic partners. It has forced foreign companies, including Qantas, to adopt the nomenclature ‘Taiwan, Province of China’ in selling their services to the public around the world.
Last year, Beijing persuaded two Pacific nations, Solomon Islands and Kiribati, to switch recognition from Taiwan to China, apparently in return for promises of substantial economic benefits.¹

Beyond the boycotts, Taiwan plays an outsized role in high-tech global value chains, as home to some of the world’s most advanced computer chip companies. It is also pivotal to Xi Jinping’s core political objectives of unifying China and making the country a wealthy superpower on par with the United States.

If there is ever to be a showdown over Beijing’s territorial demands and US power in the region, it is likely to be in Taiwan, which sits in the heart of what is known as the ‘first island chain’, which cuts off the Chinese navy’s direct access to the Pacific Ocean.

For Xi’s China, annexing Taiwan is core to achieving national redemption and the ‘Chinese dream’ — Xi’s agenda for “the great rejuvenation of the Chinese nation in the new era”.² In theory, China has time on its side, as the deadline set by Xi for achieving the Chinese dream is 2049; in reality, Xi’s China is becoming more and more impatient to regain control over the island.

For the United States and Japan, and other countries in Asia including Australia, Beijing’s wrestling of control over Taiwan would be a strategic game-changer, definitively marking the end of Pax Americana in the region. Xi himself has potentially set the clock ticking on unification, stating in a speech early in 2019 that the Taiwan problem could not be passed down from “generation to generation”.³

Taiwan offers China many other benefits. Annexing Taiwan would give Beijing effective control over some of the world’s most cutting-edge technologies, contained inside private companies built over many years by Taiwan’s entrepreneurs. Annexing the island would also allow Beijing to project force over sea lines of communication, threatening existing routes for oil shipments to Japan and South Korea, in turn providing it with leverage to demand, for example, closure of US military bases in East Asia that have long angered China.

TAIWANESE IDENTITY

The paradox for Xi’s China is that despite Beijing’s rising economic and military power, Taiwan in many respects has never been so far out of reach. Only one in ten Taiwanese support unification, according to polls conducted by National Chengchi University,⁴ and that is largely accounted for by China-born residents of Taiwan.
Entwined with democratic elections and free speech, Taiwan’s own unique identity has emerged through a mix of factors, both homegrown and imposed from outside. Taiwan is now a blend of the island’s indigenous and occupying histories involving Japan, China, the Netherlands and Spain. This diversity is seized upon by the ruling party as a way to distinguish itself from China.12

Most Taiwanese support the status quo, which is de facto independence.13 The polls show that a majority would support a declaration of de jure independence if there was no threat of force from China. When faced with the threat of invasion, however, a majority say they would not support such a declaration.14

Xi himself has not helped Beijing’s cause in the upcoming election. In a landmark speech in January 2019, Xi lauded the ‘one country, two systems’ model used in Hong Kong for Taiwan. Support for President Tsai Ing-wen, who opposes unification surged in the month’s following Xi’s speech.15

The ‘one country, two systems’ model was designed with Taiwan in mind but has never been popular there, even when it was seemingly functioning in Hong Kong.17 Beijing viewed ‘one country, two systems’ as a potentially acceptable model for Hong Kong citizens and a viable method for bringing them gradually and willingly under Chinese rule. After months of increasingly violent unrest in Hong Kong, however, the model now looks fit for neither place.

The divergence of identity evident between people in Hong Kong and the mainland is unsurprising to many of the people of Taiwan. Increasingly, it is a fact of life, uncomfortably so for the Chinese Communist Party. The more that Beijing has represented the Taiwanese as being Chinese, the less the people of Taiwan have identified as such.18

Taiwan has pursued self-determination in different ways since the late 19th century, and this political aspiration is now stronger than ever.19 As the Taiwanese and Chinese economies integrated, particularly from 2008 to 2016 under President Ma Ying-jeoh, China intended to develop economic ties that would be too costly to unwind and lay the foundation for eventual political union.20 But the opposite has proven true: the closer the two economies grew, the more people identified as Taiwanese rather than Chinese, and the less open they have become to rule from Beijing.21 Taiwan in this respect is no different from the many countries that value their economic ties with China but do not want them turned into political leverage.

The Nationalists (Kuomintang, or KMT party) were the former governing party of China until they lost the civil war to Mao Zedong’s communists and set up a government-in-exile in Taiwan under Chiang Kai-shek in 1949. For some Taiwanese, they have always been interlopers.
The Nationalists have traditionally supported closer relations with Beijing but their current presidential candidate, Han Kuo-yu, was forced to hastily disavow the ‘one country, two systems’ formula after the crisis emerged in Hong Kong. “Over my dead body,” Han told a rally, breaking into English to make his point. Han’s pragmatic backsliding on this issue annoyed Beijing, which over time has also lost faith in the KMT’s ability to deliver on unification.

Xi’s January speech, the Hong Kong protests and other policy missteps have entrenched support for the Democratic Progressive Party’s Tsai at the expense of candidates preferred by Beijing. In January 2019, Tsai’s approval rating was about 25 per cent. Now, it is 49 per cent compared to Han’s 20 per cent.

CHINA’S HARDLINE POLICIES

Why has Tsai’s renewed popularity not prompted a re-think in Beijing? The answer lies not in Taiwan but in Xi’s China and the internal logic of its domestic politics. Far from finessing its position to influence Taiwanese voters, all the incentives pull Beijing in the opposite direction, to be as tough as possible.

Xi’s single-minded ruthlessness has been on display most clearly at home, where he has refused to name a successor and cowed all opponents with the most far-reaching anti-corruption campaign since the founding of the People’s Republic.

Xi has shown some flexibility on domestic economic policy, embracing private entrepreneurs after years of ignoring them in favour of the state sector. In some respects, in speaking out in favour of entrepreneurs Xi was responding to widespread criticism from many reform-minded economists critical of his pro-state policies. But with Taiwan, such grassroots-driven policy making is not possible because of the issue’s hyper sensitivity. There is no flexibility on Taiwan unless Xi makes it possible.

Xi’s firmness, however successful at home, does not deliver dividends in Hong Kong and Taiwan. Facing the robust democracy now embedded in Taiwan’s political culture, China has been forced to look beyond the ballot box to acquire a new arsenal of tactics.
ELECTION INTERFERENCE

China has been inspired by the Russian playbook, overtly and covertly influencing the local media and community groups, taking control of some newspapers and television stations, and seeding money to candidates through clan and temple associations which proliferate on the island. Chinese officials are reported to have admitted privately that Russia’s tampering with the US presidential election in 2016 caused them to reconsider ways of meddling with Taiwan’s election.

Beijing is no longer simply supporting candidates that favour closer ties with Beijing. It is seeking to sow social divisions on the island and undermine Taiwan’s democracy in the process. In October, Tsai accused China of “producing fake news and disseminating rumours to deceive and mislead Taiwanese” and of “destroying our democracy.”

The Chinese Party-state may also be attempting to pit various ethnic, political and social groups in Taiwan against one another. In April, an editorial in The Global Times, a Chinese state-owned tabloid, stated, not for the first time: “We don’t need a real war to resolve the Taiwan question. The mainland can adopt various measures to make Taiwan ruled by the Democratic Progressive Party (DPP) turn into a Lebanon situation which Taiwan independence forces cannot afford.”

With Tsai holding a strong lead, Taiwan’s presidency may be out of Beijing’s hands. But China may still try to manipulate the legislative elections which will take place at the same time as the presidential election in January. Tsai’s second term would likely be crippled and ineffective if she lost control of the legislature.

But here again, China may have overplayed its hand. The Nationalists were well ahead in the polls for the legislature, even just a month ago. But controversy over the Nationalist party list, which included a number of known pro-China candidates, has decimated even local support. The number four on the list, Wu Sz-huai, is a retired general who has been a subject of the foreign interference debate in Taiwan after he took a number of retired Taiwanese military officers to China to attend a Xi Jinping speech in 2016. Many Taiwanese people saw this as an act of extreme disloyalty from a military officer who had sworn to defend the island — his position on the Nationalist party list essentially guarantees him a seat as a legislator in 2020.

China has also reportedly demanded that the Nationalists talk about ‘peaceful unification’ and ‘one China’ at their campaign rallies, a move certain to alienate swathes of Taiwanese voters.

In response to Beijing’s increasingly blatant interference, Taiwan’s parliament pushed through an anti-infiltration law on 31 December 2019, which bans individuals and groups, including media.
organisations, from making political donations at the behest of external hostile forces. While supporters of the bill say it is long overdue, its critics, including many high-profile Nationalists candidates, say it is a threat to Taiwan’s democracy.\textsuperscript{32} Taiwan’s broadcasting regulator fined a TV station more than US$32,000 in April for failing to verify an inaccurate news item before its airing.\textsuperscript{33}

The battle is also being played out on the Internet. Taiwan suffers among the highest rates of cyberattacks in the world, with Taiwan’s National Security Bureau reporting approximately 30 million attacks a month. About 60 per cent of those attacks come from China, according to the Taiwanese government.\textsuperscript{34}

This October, the United States held joint cyber exercises with Taiwan for the first time, aimed at foreign actors without singling out China by name. At the launch of the exercises, the State Department representative in Taipei said: “The biggest threats today are not troops landing on the beach, but efforts by malign actors to use the openness of our societies and networks against us … They spread disinformation to advance their political agenda. And they sow division in society in an attempt to make democracies ungovernable.”\textsuperscript{35}

Technology is another battle ground in cross-strait rivalry, as it is between Washington and Beijing. A senior Taiwanese national security official has said that the biggest threat the government faced was the attempted poaching by Chinese companies of its semi-conductor engineers.

In Taiwan, political leaders worry that Xi wants to cement his legacy with a breakthrough on Taiwan. Once shy about revealing its strengths, Beijing under Xi has adopted a different approach, flaunting its wealth and power and strengthening the People’s Liberation Army to deter any challengers.

Regionally, the conventional balance of military power is tipping towards China. The People’s Liberation Army has long equipped itself and planned for a cross-strait conflict. However, a full-frontal Chinese invasion of Taiwan remains unlikely in the near term. There are numerous factors that would deter such an invasion, including Taiwan’s unwelcoming geography and climate, the difficulties of staging an amphibious landing, the unknown appetite in the United States for intervention and Japan’s interests in the Taiwan Strait. Other military options which would be less risky, and potentially less disruptive to trade, include a targeted naval blockade.\textsuperscript{36}

Even if Beijing were to take over Taiwan militarily, Hong Kong has illustrated how difficult it would be to occupy the island in the face of near certain local resistance. The resulting political and security crisis for China and the broader region would be unprecedented since World War II. Taiwanese resistance, both on the island and by a mobilised

\textit{In Taiwan, political leaders worry that Xi wants to cement his legacy with a breakthrough on Taiwan.}
Taiwanese diaspora, would be a test for national politics around the world, including in Australia. The People’s Liberation Army is untested, both in battle and in the business of occupation, and China’s institutions and military resources would be stretched by such a war. It is unsurprising then that Beijing is pursuing its current strategy of multi-front hybrid warfare against the island to force an opening of talks, rather than military action.

THE UNITED STATES’ TAIWAN POLICY

Partly in response to China’s escalation, the United States has also increased its engagement with Taiwan — in particular, its military engagement. Under the Taiwan Relations Act, the United States is committed by law to sell arms enabling Taiwan to defend itself, and it reaffirmed the Act in May 2019. The United States also allowed Taiwan’s unofficial diplomatic representation in Washington to be renamed to elevate its standing, from the ‘Coordination Council for North American Affairs’, to the ‘Taiwan Council for US Affairs’, which is the first time the names ‘Taiwan’ and ‘United States’ have appeared alongside each other in the title of such an agency.

One of John Bolton’s last acts before he departed office as US National Security Adviser was to declassify a Reagan-era presidential memo which directed future presidents to continue supporting Taiwan’s defensive capabilities through US arms sales. Additionally, the Taiwan Assurance Act, passed unanimously by the US House of Representatives in May, 2019, urges the United States to increase defence spending, regularly sell arms to Taiwan and support Taiwan’s participation in international organisations. The bill has not yet been put before the US Senate.

The United States appears to be embracing its obligations. In 2019, it authorised two major arms sales to Taiwan: M1 Abrams tanks and F-16 Viper jets. There are arguments as to why these sorts of capabilities are not fitting for the military defence of Taiwan, but as ‘prestige purchases’ they may serve a different purpose — to extract political commitment from the United States, and to demonstrate that commitment across the straits to China.
AUSTRALIA’S INTERESTS

Whether or not the US would defend Taiwan militarily in the event of Chinese invasion, Taiwan’s predicament may be the issue that forces Australia finally to abandon the oft-cited axiom that it does not need to choose between its security and economic interests.

Prime Minister Scott Morrison cited this axiom in a speech at the Lowy Institute in October, 2019. In practice, however, such choices happen frequently these days: Australia’s recently introduced foreign interference legislation and its decision to exclude Huawei from the country’s 5G network are just two examples.

In 2005 the Australian Foreign Minister Alexander Downer said that Australia’s obligations under the alliance with the United States would not necessarily apply in the case of a Taiwan contingency. Downer’s statement elicited a rebuke from Washington, and a quick qualification from his prime minister, John Howard.

In the intervening years, Australia’s economic interdependence with China has only deepened, and the choices have become more difficult. China became Australia’s largest export market in 2007; it became Australia’s largest trading partner shortly afterwards in 2009. Australia’s room to move is already limited by the fact that Canberra officially recognises the People’s Republic of China in 1972, and formally acknowledges Beijing’s claim over Taiwan.

Aside from the sovereignty issue, many of Taiwan’s struggles with China are familiar to Australians: how to manage China as your largest trading partner, balancing the demands of dealing with an increasingly authoritarian Beijing against the attractions of its lucrative market. How to manage relations with Washington when the United States seems to be retreating from the region. How to defend your democratic system in the face of actors apparently intent on undermining it.

Many Taiwanese are curious about how Australia strikes a balance between its democratic freedoms and national security. In Taiwan, any attempt at regulation — of media, of protests, of political donations — is seen as an attack on its hard-won freedoms. And Taiwan’s legislature is crippled by a constitution that enshrines the outdated belief that Taiwan will one day take back mainland China.

IMPLICATIONS

In the likely event that President Tsai is re-elected in January, Beijing faces three choices: it could maintain the current icy relationship with
almost no official contact across the straits, it could quietly normalise relations, which Tsai has said she is open to, or it could continue, and intensify, its aggressive behaviour towards Taiwan.

The most likely scenario is the third one, of ongoing pressure from Beijing on multiple fronts. As Foreign Minister Joseph Wu said in November 2019: “We need to prepare ourselves for the worst situation to come.”

In such circumstances, Taiwanese leaders will be forced to tolerate high levels of risk, determinedly cultivating support in the United States and other liberal democracies which they see as their best option for holding off Beijing. The longstanding ties between Japan and Taiwan are deepening, for example, with recent suggestions that Japan should consider formalising a security partnership with Taiwan.

Australia has no interest, or indeed ability, to be a decisive player in the Taiwan dispute. Taiwan is at risk of being a proxy for the United States’ and China’s geopolitical dramas in the region, a scenario that Canberra should resist. But Australia should work with like-minded countries to bolster Taiwan’s autonomy, both in terms of its own democracy and its ability to represent itself abroad. Australia should also support efforts to help companies respond collectively to pressure from Beijing dictating how they talk about and handle Taiwan commercially, rather than be left isolated and vulnerable to coercion, as is the case now.
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