

Taiwan in 2020 and beyond

The Taiwanese went to the polls in early 2020 and overwhelmingly elected President Tsai Ing-wen of the Democratic Progressive Party (DPP) for a second term, while navigating pervasive disinformation and influence operations and closely watching events in Hong Kong. The Covid-19 pandemic was an opportunity for Taiwan to leverage its robust virus containment policy for global outreach. The self-ruled democratic island somewhat reduced its economic overreliance on mainland China through diversification and relocation strategies. Taiwan witnessed a spike in military incursions into its airspace and waters by mainland China's air and naval forces. Key issues to watch are the impact of the strategic rivalry between the US and China on Taiwan's economy and the future of US strategic ambiguity as a deterrent against a potential hostile invasion of the island.

Taiwan strengthens its democracy and resilience against political authoritarianism

In January 2020, Taiwan's incumbent [President](#), Tsai Ing-wen, (DPP) won a landslide victory for a [second four-year term](#) in presidential and legislative elections that saw a high [turnout](#) of 74.9 % (up 9 % from 2016). Tsai prevailed with [57.1 %](#) of votes over opposition [candidate](#) Han Kuo-yu of the traditionally pro-Beijing Kuomintang (KMT), who scored 38.6 %. The DDP lost [seven](#) seats of its majority in the [Legislative Yuan](#). The lead-up to the polls was [marked](#) with [foreign](#) election interference through the use of '[sharp power](#)' tools, including propaganda, [social media disinformation](#) and information operations aimed at discrediting Taiwan's democratic institutions. The 2019 [protests](#) in Hong Kong about the erosion of democratic freedoms, believed to be guaranteed under the 'One country two systems' model that mainland China initially designed for Taiwan, had a [major impact](#) on the election outcome, as events in Hong Kong prompted a large majority of Taiwanese to [reject](#) this model. Taiwan strongly [condemned](#) the national security law that mainland China imposed on Hong Kong, thus bringing, as some [high-profile analysts](#) argue, the city's governance model to an effective end. As a result, almost half of Taiwanese [support](#) closer political ties with the US only, a significantly lower number (28 %) advocate closer ties with both the US and China, and merely a minority of 7 % favour closer ties with China only. In September 2020, in rare bipartisan unity, the DPP and the KMT adopted two KMT-[introduced resolutions](#) calling for the restoration of diplomatic ties with the US, severed in 1971 when Taiwan's UN seat was passed on to mainland China.

Taiwan's exemplary Covid-19 handling as an enabler of a global outreach offensive

In 2020, Taiwan earned international recognition for being one of the few economies to have [contained](#) the coronavirus outbreak effectively through its early, swift and [robust](#) response based on its experience with epidemics. This opened new avenues for the country's international outreach: it [shared](#) the 'Taiwan Model' for combating the virus and [donated](#) millions of facemasks. Although Taiwan's enhanced international [visibility](#) and soft power credentials translated into health cooperation projects and a moderate increase in its [ranking](#) in the Asia power index 2020, the country was once again [excluded](#) from participation in the [World Health Assembly](#) and the [International Civil Aviation Organization](#) (ICAO). As mainland China kept poaching diplomatic allies from Taiwan in 2019, Taiwan had only [15](#) left in 2020. The security impact of a Huawei Marine bid, [deemed](#) abnormally low, for an underwater cable project for China's [new ally](#) Kiribati, sparked US [concern](#), as Chinese firms are [deemed obliged](#) to [assist](#) in the Chinese state's intelligence work.

Taiwan capitalises on its Covid-19 resilience and US-China strategic rivalry

In 2020, Taiwan's export-driven economy [benefited](#) from strong pandemic-induced external demand for electronics and from companies dodging manufacturing shutdowns to avoid supply-side bottlenecks. Taiwan was one of the few economies to head towards positive GDP growth. However, the country's policy of reducing its overreliance on mainland China in merchandise trade and in investment under its [New Southbound policy](#) covering 18 Asian countries [yielded mixed results](#), although prospects for economic [\(and security\)](#) cooperation emerged inter alia with [India](#). After the 2019 [relocation](#) of Taiwanese firms attracted by [preferential policies](#) and intent on escaping the impact of the US-China trade war, in 2020

Taiwan doubled down on incentives for firms to settle in Taiwan and on [upgrading](#) the industrial structure and smart production. As a result, [Taiwanese companies](#) based in mainland China [invested](#) more than US\$39 billion in the island. Foreign investors such as [Google](#), [Microsoft](#) and [Amazon](#) flocked to Taiwan to benefit from its [vital role](#) in the global semiconductors supply chain and other high-tech sectors. However, it remains to be seen how Taiwan's semiconductor industry will navigate the growing fragmentation of the global digital landscape; tightened [US export controls](#) on Chinese firms have compelled Taiwanese companies to [choose sides](#) between Chinese and US clients, thus further exacerbating this fragmentation.

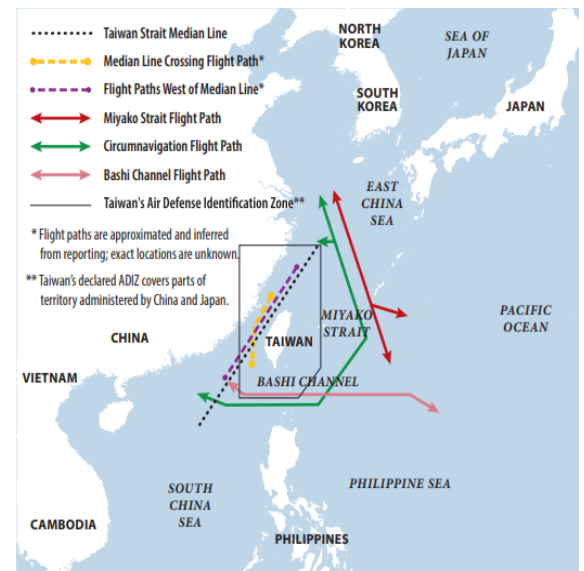
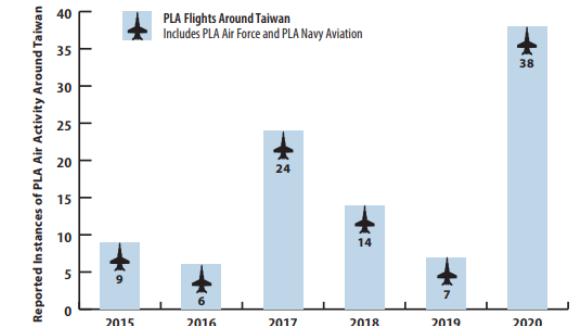
Taiwan strengthens cooperation with the US

In 2020, US-Taiwan high-level exchanges on [health](#), [trade](#) and [global infrastructure](#) cooperation moved forward to ensure the status quo in cross-strait ties in line with the US [Vision](#) on the free and open Indo-Pacific. Taiwan [withdrew restrictions](#) for US meat imports, a move that sparked [criticism](#) but paved the way for a [future](#) trade agreement. US lawmakers [introduced](#) the [China Task Force Act](#) and the [Taiwan Relations Reinforcement Act](#) into US Congress, and the [Taiwan Assurance Act](#) entered into force. The former Trump Administration [endorsed arms sales](#) to Taiwan to [support](#) the [upgrading](#) of its [asymmetric](#) military capabilities. It also [lifted](#) restrictions for official contacts with Taiwan. The Biden Administration's Secretary of State, [Antony Blinken](#), and Secretary of Defense, Lloyd Austin, voiced [support](#) for Taiwan, saying it must remain '[strong, principled, and bipartisan](#)' in line with longstanding US commitments.

Mainland China scales up military coercion

In 2020, the [intrusions](#) into Taiwan's [air](#) and sea space by the People's Liberation Army (PLA) became more frequent (see box) and bolder, as forces transgressed long-standing limits such as the Taiwan Strait's [informal median line](#). Mainland China's military coercion essentially consists of '[grey-zone](#)' operations that seek to change the status quo incrementally without prompting military conflict. Mainland China's military modernisation, its militarisation of outposts in the [South China Sea](#) and geographical advantage all [challenge](#) historic assumptions of the US' qualitative edge and the rapid flow of US reinforcements in a Taiwan contingency. A [debate among analysts](#) about the US policy of strategic [ambiguity](#) in respect to its defence of Taiwan in the event of an invasion is in full swing.

PLA Air Activity Near Taiwan, 2015–2020



Source: [US-China Economic and Security Review Commission](#), 2020, [Executive summary](#), p. 23.

EU-Taiwan relations

The EU pursues a [one-China policy](#). It holds policy dialogues with Taiwan in areas such as [human rights](#), [ICT \(5G collaboration\)](#), [industrial policy](#) and [trade](#). The Taipei-based European Economic and Trade Office [reports](#) annually on [bilateral activities](#). In 2019, Taiwan was the EU's [15th](#) trade partner with total goods trade at €50.5 billion. In 2018, the EU and Taiwan traded services worth €8.1 billion, EU foreign direct investment (FDI) stock in Taiwan was [€19.4 billion](#), and Taiwan's FDI stock in the EU was €3.1 billion. As in previous years, in 2020 the European Parliament [called](#) for the launch of a scoping exercise for an EU-Taiwan investment agreement. It [spoke out against](#) unilateral action aimed at changing the status quo in the Taiwan Strait and [reiterated](#) its support for Taiwan's meaningful participation in international organisations, such as the World Health Assembly, as an observer.

This is an update of the 2019 EPRS briefing [Taiwan's political survival in a challenging geopolitical context](#).

