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***SPECIAL COMMENTARY: TAIWAN ELECTION RESULTS 2020***  
***JANUARY 12, 2020***

On Saturday, January 11, 2020, Taiwan held its Presidential and Legislative elections. Incumbent President Dr. **Tsai Ing-wen** of the **Democratic Progressive Party (DPP)** retained the presidency, a victory that was enhanced by her party retaining its majority in the Taiwan legislature.

Dr. Tsai and her running mate Lai Ching-te (who had been her opponent in the DPP Primary) received **57.13%** of the total vote, out-dueling her principal opponent Han Kuo-yu of the Kuomintang (KMT) by more than 2.64 million votes. Her vote total of 8.17 million votes exceeded her total in the 2016 election, and represents a new record since direct presidential elections began in 1996.

Mayor Han received 38.61% of the ballots cast in the presidential contest, while the third candidate, James Soong of the People's First Party (PFP), came in a distant third with 4.26% of the vote. This was James Soong's fourth attempt to gain the Presidency after three previous defeats (2000, 2012, 2016).

In addition to holding on to the Presidency, the DPP also held its ground in the Legislative Yuan (LY), taking 61 seats in the 113 seat legislature to assume an absolute majority (54%). The KMT gained three and now hold 38 LY seats. The New Power Party (NPP), which emerged from the 2014 Sunflower Movement, took 3 seats, while the Taiwan People's Party (TPP) established in 2019 by Independent Taipei Mayor Ko Wen-je took 5 seats.

The newly organized Taiwan Statebuilding Party pulled off a dramatic upset in Taichung City to take one LY seat, while the remaining 5 seats went to independents and non-party nominees. James Soong's PFP, a splinter party of the KMT, fell well short of the 5% party vote threshold, and lost all three of its LY seats. In total, 73 lawmakers were directly elected in winner-take-all districts, 6 were elected by indigenous voters, and 34 were allocated based on the political party vote.

Taiwan continued to show its vitality as a democracy, with 74.9% voter turnout for the presidential election, out of 19.31 million eligible voters, a sharp rise from the 66% turnout in 2016.

President Tsai will officially begin her second term on May 20, 2020. Elected legislators will be sworn in on February 1, 2020.

***Presidential Election Results***

<b>Party</b>	<b>Candidate (Running Mate)</b>	<b>Number of Votes</b>	<b>Percentage</b>
Democratic Progressive Party (DPP)	Tsai Ing-wen (Lai Ching-te "William")	8,170,231	57.13%
Kuomintang (KMT)	Han Kuo-yu (Chang San-cheng "Simon")	5,522,119	38.61%
People's First Party (PFP)	James Soong (Sandra Yu)	608,590	4.26%



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*President*

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### ***Legislative Election Results***

<b>Party</b>	<b>2012 # of Seats</b>	<b>2016 # of Seats</b>	<b>2020 # of Seats</b>	<b>Affiliation</b>
Democratic Progressive Party (DPP)	40	68	61	Pan-green
Kuomintang (KMT)	64	35	38	Pan-blue
Taiwan People's Party (TPP)	-	-	5	-
Others/Independents	6	2	5	-
New Power Party (NPP)	-	5	3	Pan-green
Taiwan Statebuilding Party	-	-	1	-
People's First Party (FPF)	3	3	-	Pan-blue

*Source: Central Election Commission, <https://www.cec.gov.tw>*

### ***Commentary***

President Tsai's re-election is both a testament to the strength of Taiwan's democracy - still in its relative infancy - and a resounding rebuke of a hostile People's Republic of China (PRC) that has ceaselessly tried to coerce and pressure the island into an unwanted political union.

At the end of 2018, Tsai's DPP had been badly mauled in local elections. The party was chastened, and Tsai quit her post as party chair. Tsai's poll numbers slumped further, and last spring she faced an internal challenger for the party's presidential nomination - her previous Premier Lai Ching-te, who hails from the deep-green (i.e. pro-independence) wing of the party. Tsai looked highly vulnerable, as did the DPP itself, as she contemplated a year ahead that looked increasingly as if it would culminate in a new ruling party and/or a new President. What a difference a year can make.

Chinese leader Xi Jinping's 2019 New Year's speech was a major shot across the bow for both Taiwan and for the Tsai government. Yet Tsai's strong and clear response to the Xi speech began to steady her political fortunes. In response, she forcefully defended the island's democracy, while rejecting Xi's insistence that the island be ruled under the PRC's "One Country, Two Systems" formula - an as-yet-unspecified division of power between Taipei and Beijing. Given how this type of power sharing has manifested in Hong Kong, this idea is now an absolute non-starter in Taiwan - to the extent that even the PRC-leaning KMT rejects it. To her political benefit, Tsai stuck to this theme throughout 2019. She also managed to weather the internal party challenge, ultimately bringing her DPP Primary challenger Lai Ching-te onboard her presidential campaign as the Vice Presidential nominee.

The people of Hong Kong - and their decision to reject the heavy hand of Beijing - had a tremendous impact on the Taiwan election. The nightly pictures of protesters being harassed, beaten, gassed, and even shot by PRC thugs in Hong Kong police uniforms have had a sobering effect on Taiwan's citizens, particularly for those under 40. It has been grist for the DPP's mill, and left the KMT constantly challenged to explain their desire to move closer to a PRC that has such obvious contempt for its own people.

The KMT, resurgent after their big 2018 win, sought to capitalize on the global trend of populist politicians, and tilted the



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scales toward the newly-minted mayor of Kaohsiung, Han Kuo-yu. Mayor Han enjoyed broad island-wide popularity in early to mid-2019, as he talked of economic renewal and the prospect of improved relations with the PRC. But his fortunes were already waning when the KMT formally tapped him as its presidential candidate on July 28, 2019. His downfall was a toxic mix of dysfunctional campaigning, poor policy rollouts, and conciliatory messaging on the PRC that didn't fit the times. His support plummeted through the second half of the year, ultimately resulting in his defeat on January 11 by more than 2.64 million votes.

Now, President Tsai faces a number of challenges during her second and final four-year term in office.

While the recent U.S.-PRC trade confrontation has had a significant and positive impact on Taiwan's economy, it is also bringing new challenges. Taiwan's economic ministry has green-lighted over US\$23 billion in new inbound investment in 2019 as a function of re-shoring, adding over 0.5% to Taiwan's GDP for the year. This trend is likely to continue. The challenge for Tsai is the island's ability to handle accelerated flows of inbound investment, along with accommodating the many new startups created by recent domestic incentives and policy initiatives. Does Taiwan have the resources of power, water, and personnel necessary? Will over-zealous environmental regulations undermine efforts to balance growth with sustainable living? President Tsai will have to answer these questions to continue taking advantage of changing investment flows.

One of President Tsai's main priorities in her second term will be responding to Taiwan's political and economic isolation, created and reinforced by the PRC. Tsai's ability to respond to Taiwan's isolation will depend largely on the U.S.-Taiwan partnership, particularly the Trump Administration's willingness to agree to bilateral trade negotiations. In preparation, President Tsai will need to move quickly – perhaps even in the period immediately prior to her second inauguration in May 2020 - to address Taiwan trade barriers and irritants in the trade relationship such as the long-standing issues affecting U.S. pork imports.

Moving quickly on these trade issues would serve as the down-payment necessary to press the Trump Administration into moving forward on a trade deal that could result in the most significant reforms of Taiwan's regulatory and legal governance since its WTO accession in 2001, and could lead to commensurate market access benefits. If Tsai can secure a U.S.-Taiwan bilateral trade agreement, it would likely start a domino effect that could bring deals with Taiwan's other major trading partners such as Japan, the EU, and Australia.

A bilateral trade agreement is essential not only to Taiwan but to the U.S. as well, because Taiwan is such a critical supply chain partner for the U.S. economy. If America is to successfully recalibrate its supply chains - including better protection for its intellectual property and trade secrets - it needs global partners to help undertake that task. President Tsai has governed over a period in which the United States has finally started to grapple with the seriousness of the PRC challenge. Both the island and the U.S. are seeking to shift away from their economic over-dependency on PRC supply chains, and are making attempts to bolster their military and cyber defenses against a threat that none should be cavalier about.

Perhaps the most under-reported issue in U.S.-Taiwan relations is the discussion around Taiwan's semiconductor industry and its importance to the global economy. The military threat to Taiwan from the PRC is only growing. However, a D-Day type invasion is the least likely scenario, with blockades and other types of asymmetric disruption in the Taiwan Strait more likely. The prospect of a disruption, or even a halt, of the supply chain through the Taiwan Strait is a real threat, particularly in the semiconductor sector. TSMC - the most important technology company many have never heard of - anchors Taiwan's semiconductor industry, and its cutting-edge production technology is as important a strategic asset as oil and gas. Control of



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this sector is critical for the future success of global economies. If chip production is disrupted or blocked, we will quickly see global production in associated sectors grind to a halt. That's a problem which every major economy should be looking at closely.

The greatest threat to robust U.S.-Taiwan relations remains U.S. accommodations with the PRC, resulting in the re-emergence of self-censorship-driven U.S. policy - manifesting in single issue engagement between America and the PRC. We saw this type of accommodation from 2005-2009 with the Bush Administration and its DPRK efforts, and again from 2011-2017 with the Obama Administration and its drive to have the PRC sign up to the Paris Accord. When the PRC understands that we are primarily interested in a single issue, they will leverage that angle to ensure gains in all other areas of core interests.

Despite ongoing and substantial support for Taiwan in Congress and in the Trump Administration, American interests with Taiwan have historically been hampered by U.S. administrations that falsely believed in the necessity of downgrading its relations with Taiwan to curry favor with Beijing. This approach remains a real future threat to American interests generally, as a significant minority of Asia policy voices now argue for a return to the conciliatory days of China engagement. Should this happen, Taiwan's democracy and American interest in the North Pacific will be at its most vulnerable.

As the island celebrates another successful election, the US-Taiwan Business Council affirms our support for Taiwan's strong and vibrant democracy. We look forward to working with the Tsai Administration during her second term, and to continue our efforts to deepen and expand U.S.-Taiwan economic and business ties.