

2024 Taiwan Election

- Preview -

January 8, 2024



Executive Summary

On Saturday January 13, 2024, voters will choose the next President of Taiwan and lawmakers for Taiwan's unicameral Legislative Yuan.

The past eight years under outgoing president Tsai Ing-wen and the Democratic People's Party (DPP) have been marked by elevated cross-strait tensions and growing overseas awareness of Taiwan's critical role in global technology supply chains. Heavily critical of Tsai and the DPP, Beijing froze official dialogues with Taipei in 2016, implemented a raft of trade restrictions, and gradually increased its military presence around the island.

In a political landscape dominated for decades by the DPP and the more pro-Mainland engagement Kuomintang (KMT), this year's campaign was shaken up by the sudden popularity of the Taiwan People's Party (TPP), a centrist party critical of the status quo that advocates for a 'third option' for Taiwan's future. Consequently, this election is likely to result in a split between the president and the legislators, failing to deliver a decisive victory for any one party.

While the domestic economy has been a key issue on the campaign trail, geopolitical concerns have also loomed large. As tariffs, the pandemic, and the war in Ukraine have inflamed rhetoric in both the Chinese Mainland and the United States, Taiwan remains the most volatile variable in the relationship between the two superpowers.

Regardless of the outcome, the election and what comes next will need to be watched closely in boardrooms worldwide as a bellwether of the future of cross-strait relations and regional stability.

Why does this election matter?



Trade & Supply Chains

A major player in global supply chains, Taiwan is in a key location such that disruptions from military activity could reverberate through global energy and technology markets, affecting multinationals in and outside the region.



Geopolitics

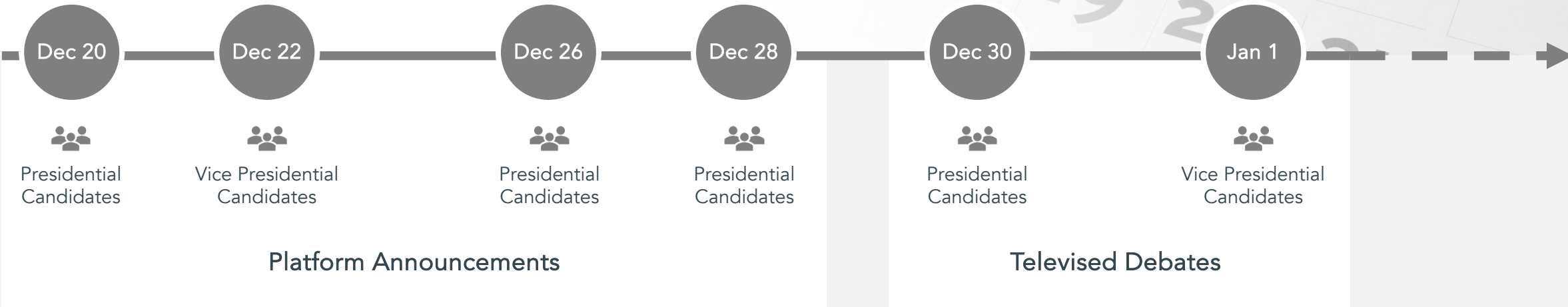
Cross-strait tensions are the most contentious and potentially destabilizing area of U.S.-China relations. How Beijing perceives and reacts to the election result could have profound implications for regional peace and security.



Ideology

The election will likely ratchet up rhetoric around democracy. A DPP victory could lead to an embrace of guardrails in U.S.-China ties or, alternatively, motivate more aggressive support from the U.S. Congress. Companies will need to monitor and manage the rhetoric with sensitivity.

Roadmap to Election Day



Jan 13

Election Day

A **plurality** of votes is required to win the presidency.

Voters will simultaneously cast ballots for the Legislative Yuan. 73 of the 113 seats will be elected through first-past-the-post, while 34 seats will be determined by proportional representation. 6 seats are reserved for indigenous peoples.

May 20

The next president and vice president will be inaugurated on **May 20**. Newly elected legislators will begin their four-year term on February 1.

Candidates and Policy Priorities



Democratic Progressive Party (DPP)



William Lai
President



Hsiao Bi-khim
Vice President

Ideology



Defining Issues

Continuity ticket that would seek to maintain and extend the policies of outgoing President Tsai Ing-wen, especially on cross-Strait relations.



Taiwan People's Party (TPP)

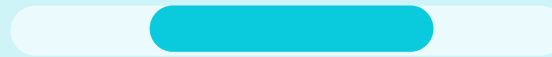


Ko Wen-je
President



Cynthia Wu
Vice President

Ideology



Defining Issues

Advocates for a 'third option' in Taiwanese politics. Ambiguous foreign policy, but policies emphasize economic opportunities for younger generations.



Kuomintang (KMT)



Hou Yu-ih
President



Jaw Shaw-kong
Vice President

Ideology



Defining Issues

Favors closer cross-Strait engagement but opposes both outright independence and a "one country, two systems" model for Taiwan.

Background on the Presidential Candidates



Democratic Progressive Party (DPP)



William Lai
Presidential Candidate

2020-present
Vice President under Tsai Ing-wen

2017-2019
Premier

2010-2017
Mayor of Tainan, Taiwan's sixth-largest city

1999-2010
Legislator

Stance on U.S.-China Relations

Aligned with U.S. stances, procurement and domestic arms production to build defensive capability. Reducing economic dependence on Beijing; cross-Strait dialogue only based on "reciprocity & dignity".



Taiwan People's Party (TPP)



Ko Wen-je
Presidential Candidate

2019-present
Chairman of the TPP

2014-2022
Mayor of Taipei,
ran as an independent

Stance on U.S.-China Relations

Critical of the cross-Strait policy of the DPP. While a full strategy remains undeveloped, aim is to maintain a balanced relationship between Washington and Beijing.



Kuomintang/Chinese Nationalist Party (KMT)



Hou Yu-ih
Presidential Candidate

2018-present
Mayor of New Taipei City

2010-2018
Deputy Mayor of New Taipei

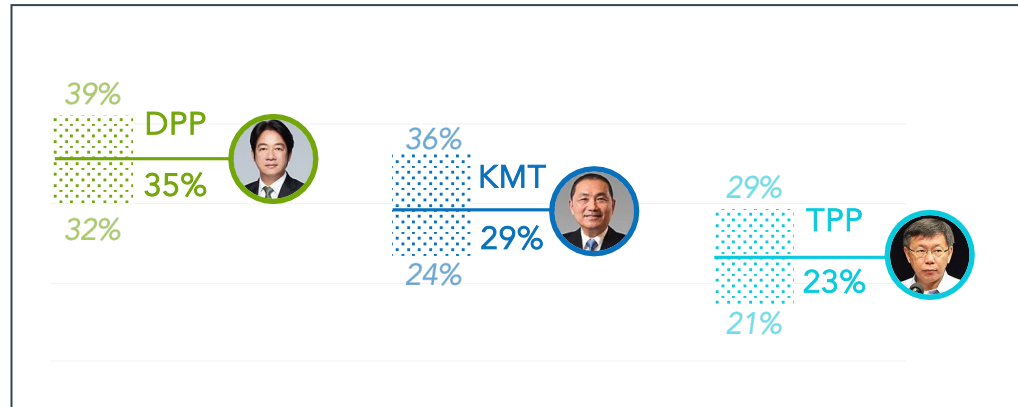
2006-2008
Director-General, National Police Agency

Stance on U.S.-China Relations

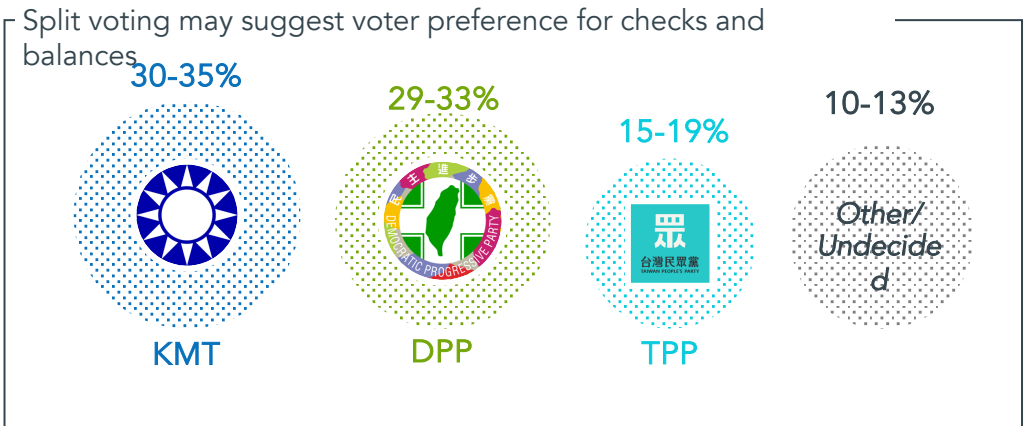
Emphasis on remaining close to the United States and friendly to Beijing, reaffirming the 1992 Consensus is an important step for resolving current tensions.

Polling Trends

The DPP has consistently held a plurality in presidential polls, but never an outright majority



The KMT narrowly leads in polls on party support, which will directly influence seats to be won in the Legislative Yuan, followed by the DPP with a 3-5pp gap and the TPP with roughly 15% support

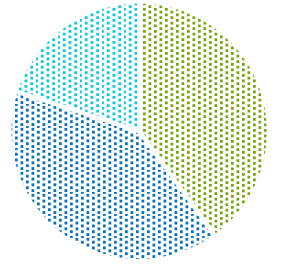


If current trends hold, the DPP will likely win the presidential election, but there will be **no single-party majority**.

- The TPP is likely to act as 'kingmaker' in the Legislative Yuan.
- The lack of an outright majority may nudge the DPP closer to the center on certain issues.
- International affairs would remain largely unchanged from status quo.

* Polling data as of beginning of January; polls are **paused** in the final days of the electoral campaign, from January 3-13

Likeliest Scenario – DPP Presidential Victory Only



William Lai wins the presidential election, but the DPP fails to attain a single-party majority in the Legislative Yuan. The TPP will likely play a key role in the legislature and swing between supporting the DPP and the KMT on individual issues.

Potential Outcomes:

Potentially stalled defense spending

- Bills for the procurement of American military equipment may be blocked
- Development of domestic arms unlikely to be prioritized
- Military actions (e.g., fighter jets and ships in the Taiwan Strait) by Chinese Mainland could remain at an elevated scale and frequency

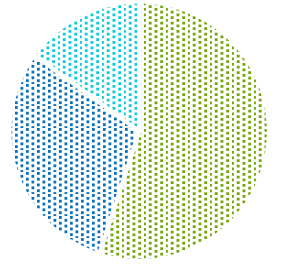
Economic stability as key message

- Executive branch likely to move to center and soften tone on cross-Strait relations
- The Chinese Mainland may build closer relationships with the Legislative Yuan and local officials
- Likely increase in cross-Strait visits by local officials, but no senior-level visits
- Inflow of Mainland tourists could increase

Continued uncertainty for MNCs

- Semiconductor supply chain de-risking likely to continue at pace
- Investments in renewables likely to slow in favor of nuclear energy
- Taiwanese exports to the Chinese Mainland could rise if an ideologically balanced Legislative Yuan proves less antagonistic toward the Mainland

Second Likeliest Scenario: Outright DPP Victory



William Lai wins the presidential election and the DPP wins holds the Legislative Yuan by attracting a large share of TPP or undecided voters. The KMT would hold the key opposition position but with limited influence in lawmaking.

Potential Outcomes:

Stronger ties with the West

- Official cross-Strait communication remains restricted in scope
- Intensified Taiwan-West collaboration, especially on defense and security
- Trade partnerships/agreements with the West likely to be strengthened
- Highest risk of an escalation in cross-Strait tensions of any scenario

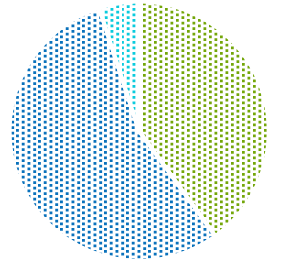
Differentiated challenges for cross-Strait business engagement

- Taiwanese businesses may experience pushback or less access in the Mainland
- More Taiwanese companies likely to proactively “de-risk”
- Multinationals in politicized or Taiwan-dependent sectors (semiconductors, etc.) will face greatest risk of disruption
- Brands may need to heighten caution around sensitive language on both sides

New dynamics for certain industries

- Semiconductor supply chain de-risking may grow in urgency
- Taiwan to invest more in domestic arms
- Renewable energy investment continues
- Resumption of Mainland-to-Taiwan tourism risks slowing or ceasing
- Taiwanese exporters may redirect exports if Chinese Mainland decides to raise tariffs or other barriers

Unlikely Scenario: Outright KMT Victory



Hou Yu-ih wins the presidential election and the KMT secures an outright majority in the Legislative Yuan by consolidating voters from outside its political base. Were the KMT to perform this well, the DPP would not realistically control the Legislative Yuan and would instead be the key opposition party as TPP voters mostly flip to the KMT.

Potential Outcomes:

Improved cross-Strait relations

- Cross-Strait dialogue expands in scope
- Taiwan reduces rhetoric around seeking international recognition, but still makes some effort to join international organizations
- Taiwan's U.S. arms procurement may slow
- Chinese Mainland may become less likely to retaliate against new Taiwanese trade partnerships with other economies

More "carrots" for Taiwan

- The Chinese Mainland likely to more proactively attract Taiwanese investment and students
- Taiwanese businesses to face friendlier Mainland business environment
- The Chinese Mainland may direct incentives to Taiwanese experts to convince them to work in the Mainland

Lower risks for industry on both sides of the Strait

- Semiconductor supply chain de-risking may become more gradual and targeted
- Tourism, retail, and education-related businesses likely to benefit the most from reduced uncertainty
- More assuredness that regional trade and energy markets will remain stable, benefitting global business

The View from Global Capitals

Washington, D.C.

- Biden Administration refuses to outline preferred outcome of election
- Likely prefer Taiwan not engage closely with the Chinese Mainland
- Will seek to continue dialogue, trade, and arms sales regardless of result, but the scale of arms sales depends on election

Brussels

- Likely to echo the United States on responding to the election
- Emphasis on de-risking to continue ahead of European Parliamentary election in June 2024

Singapore

- Main concern is unimpeded flow of trade and commerce
- Overarching priority is to maintain ties with both the Chinese Mainland and Taiwan

Beijing

- Extremely opposed to a DPP victory given William Lai's current role as vice president
- Would most likely resume dialogue with the KMT and potentially the TPP if they perform well
- Would deploy incentives on trade, tourism, and military activity in the event of a KMT victory, while likely introducing new restrictions for DPP

Tokyo

- Preference for a strong Taiwanese economy
- Focus on Indo-Pacific security and stability, with fear of being dragged into a conflict
- Outcome of election may increase engagement with G7 allies on defense

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