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**Central Intelligence Agency, Directorate of
Intelligence, 'Taiwan: Looking Toward December
Elections: An Intelligence Assessment'**

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Summary:

A report on Kuomintang efforts for the upcoming national election in Taiwan and the individuals surrounding Chiang Ching-kuo.

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Taiwan: Looking Toward December Elections



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An Intelligence Assessment

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Taiwan: Looking Toward December Elections



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An Intelligence Assessment

This paper was prepared by 
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Foreign Policy Branch, China Division, OEA, on

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**Taiwan: Looking Toward
December Elections**



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Key Judgments

*Information available
as of 11 July 1986
was used in this report.*

We believe Taiwan's leaders are devoting increasing attention to preparing for national elections now scheduled for December. The ruling Kuomintang (KMT) has a lot riding on the outcome, even though the faction-ridden opposition stands no chance of toppling it from power. We believe, for example, that President Chiang wants to enhance the legitimacy of a collective leadership he has handpicked to succeed him, whether he should die soon or decides to resign the presidency. Key leaders are, in our judgment, such mainlander conservatives as Shen Chang-huan, Premier Yu Kuo-hua, and Chief of the General Staff Hao Po-ts'un, who continue to oversee foreign, economic, and defense policy, respectively.



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Disturbed by events in the Philippines and South Korea, Chiang and other KMT leaders also are eager in our judgment to:

- Renew the party's popular mandate.
- Refurbish the KMT's reputation at home, which was badly tarnished last year by political scandals and economic problems.
- Counter opposition (dangwai) efforts to challenge the continuing martial law regulations that prevent opposition leaders from organizing a legal political party.
- Strengthen the KMT's "democratic" image abroad, especially in the United States, to defuse criticism of Taipei's human rights record.



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We believe Chiang's desire to see the KMT at least match its showing in the 1983 national elections (71 percent) has influenced some of his recent personnel decisions as well as his handling of provocative opposition activity. To help strengthen the KMT appeal among the Taiwanese majority, for example, Chiang increased Taiwanese representation on the prestigious KMT Central Standing Committee at the recent March party plenum. He also added Li Huan, a party moderate and key mentor of many Taiwanese officials in the KMT, and approved new measures reportedly aimed at increasing the party's support among the overwhelmingly Taiwanese urban lower classes—where the dangwai made substantial gains during last December's provincial elections. We expect Chiang also to replace the present KMT Secretary General with a more energetic figure—possibly Sung Shih-hsuan, also a patron of many KMT Taiwanese politicians—in time to manage the election campaign.



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The most significant and controversial move Chiang has made thus far, however, has been his decision to open an unprecedented formal dialogue with opposition leaders—ostensibly to improve “domestic harmony.” He also has directed the KMT to allow dangwai leaders to open local offices, which are technically illegal under martial law. We doubt that these moves foreshadow more democratic reform measures. On the contrary, we believe they are designed primarily to defuse political tensions, confuse and further divide the opposition, and improve the KMT’s image at home and abroad.



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Although this tack appears to be working, it is not without risks. It already has created dissension among KMT elders opposed to granting the opposition any legitimacy, however illusory. If the opposition actually appears to gain public support over the summer, Chiang will probably come under strong pressure from party conservatives as well as the security services to order a crackdown. Such a move could generate sympathy at home for the dangwai and provide ammunition for US critics of Taiwan’s human rights record. We believe that concern over such criticism while Washington is still considering the sale of FFG-7 frigates to Taiwan in part accounts for Chiang’s conciliatory approach. Finally, allowing the opposition to establish a network of offices could encourage squabbling opposition politicians to close ranks and mount a more effective challenge to the KMT at the polls than they have in the past.



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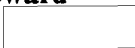
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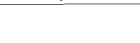
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**Taiwan: Looking Toward
December Elections**




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The Kuomintang (Nationalist Party or KMT) plenum that met 29-31 March failed to produce the dramatic changes many Taipei insiders had expected. In the months leading up to the plenum, for example, local pundits variously reported that Chiang Ching-kuo would announce his resignation from the presidency; that Chiang would replace the KMT Secretary General; or that he would announce his intention to fill the long-vacant position of deputy party chairman. None of these changes occurred, however. 

Nonetheless, Chiang did make some significant adjustments in the top leadership, and others may follow. We expect the leadership will focus increasingly on managing the national legislative elections this December, and, indeed, strategy discussions are already under way. The most significant and controversial move in this regard has been the decision to deal directly for the first time with the opposition, or "dangwai" (literally, "outside the party"), a policy that is not fully supported within the KMT, even though endorsed by Chiang. 


Plenum Winners and Losers

We hesitate to read too much—for the long term—into the plenum results. All power essentially flows from Chiang, who promotes and dismisses his top ministers at will. Thus, it is not unusual for powerful men to fall from grace quickly, and for out-of-favor politicians to move back into positions of influence. 

That said, in our view the major gainers at the plenum were Premier *Yu Kuo-hua* and Presidential Office Secretary General *Shen Chang-huan*. Both were promoted in party rank—Yu jumped from 13th to sixth position on the prestigious Central Standing Committee and Shen moved from 11th to 10th. Taiwan pundits had speculated for months that Yu and Shen might be replaced because of the economy's poor


performance and a series of scandals that have rocked the government. The Central Standing Committee is personally selected by Chiang, however, and both men appear to have retained his confidence. 

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Minister of Education *Li Huan* also was a winner, in our opinion. Although Li was not nominated as a KMT deputy chairman—as had been rumored—he was reelected to the CSC after an eight-year absence.¹ The promotion to the CSC of two of his proteges—Minister of Interior Wu Po-hsiung and Minister of Justice Shih Ch'i-yang—also strengthened Li's position in the party hierarchy. In our judgment, Li has emerged from the plenum as the de facto leader of the moderate wing of the party. 

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We consider Chief of the General Staff Hao Po-ts'un as the big loser, although he remains one of the most powerful men on the island. Hao's rank on the CSC slipped three notches, and other personnel shifts by the President in recent months have tended to curb his influence. Some local observers believe Chiang also intends to replace the current director of the Political Warfare Department—a Hao associate—who is responsible for the political commissars who monitor the loyalty of the military and security services. 

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
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President Chiang maintains a careful balance of power among his subordinates, and we suspect that he has increasingly come to see Hao as threatening that balance.² Hao's power within the military has grown

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¹ Li was dropped from the CSC at the 1979 plenum, after he had been stripped of his other party jobs in the aftermath of election rioting in 1977—for which Li assumed "ministerial responsibility." He returned to the central government as Minister of Education in June 1984. 

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² Chiang's moves to curb Hao's influence are reminiscent of the 1983 downfall of Wang Sheng, then Director of the General Political Department and currently Taiwan's Ambassador to Paraguay. Wang—whose influence, like Hao's, extended far beyond his portfolio—was exiled after openly maneuvering to become Chiang's successor. 

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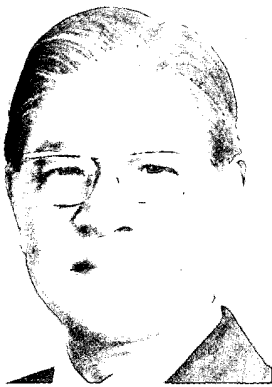
The Central Standing Committee

Chiang Ching-kuo rules in almost classic Chinese fashion, essentially the old Imperial system with a modern veneer. For example:

- *Chiang picks, promotes, and dismisses key ministers and advisers at will.*
- *Power is accrued by gaining Chiang's confidence and ear, not necessarily by building patronage networks or expertise.* [redacted]

The 31 members of the Central Standing Committee (CSC)—the most prestigious of all KMT organs—are handpicked by Chiang in his capacity as KMT chairman. Chiang takes care that a cross section of Taiwan's ruling elite is represented on the committee. We believe that Chiang weighs several factors, such as an individual's government job, family history, and ethnicity in making appointments. For example,

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Li Teng-hui, 63 ... Vice President ... Chiang's constitutional successor ... second Taiwanese to become vice president and highest ranking in government apparatus ... [redacted] Ranks third in CSC, behind former president and vice president. [redacted]



Shen Chang-huan, 73 ... Secretary General, Presidential Office ... former Foreign Minister and now responsible for Taiwan's foreign policy ... appeals to party traditionalists, not known to favor Taiwanization policies of the president ... political base weak; ability to continue to play prominent role after Chiang's death uncertain. Shen's party rank moved up from 11th to 10th at the plenum. [redacted]

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Yu Kuo-hua, 72 ... Premier of the Executive Yuan ... Chiang family retainer ... conservative economic planner whose power derives from his relationship with Chiang, Yu has little influence beyond economic and financial ministries ... no known political following in either party or government circles ... likely to keep present job until at least 1987. Currently ranked sixth on the CSC. [redacted]



Lin Yang-k'ang, 59 ... Vice Premier of the Executive Yuan ... most popular of senior Taiwanese politicians in KMT ... rival of Li Teng-hui ... [redacted] ... probably will play important, if largely symbolic, role in succession government. Ranked 13th on the CSC, Lin is the third-highest ranked Taiwanese on the committee. [redacted]

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dramatically over the past few years, and [redacted] Hao angered the President by flaunting his influence and openly meddling in last November's provincial elections. Rumors off and on for over a year have

predicted Hao's removal from the CGS job—which he has held longer than any of his predecessors. These rumors have, at least for now, been scotched with the appointment of a new Defense Minister, and Hao's extension as Chief of the General Staff until July 1987. Other local observers, however, believe that

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Minister of Interior Wu Po-hsiung sits on the committee because he is Taiwanese, represents a moderate-reform wing of the party, and, as Interior Minister, is responsible for overseeing the elections this December. At the same time, former President Yen Chia-kan, who has not always been considered a Chiang Ching-kuo supporter, sits on the committee

because of his loyalty to the late Chiang Kai-shek and his "prestige factor" as former president. All members of the committee, however, share a common thread—their loyalty to the legacy of the late Chiang Kai-shek and personal ties to Chiang Ching-kuo.

[Redacted]

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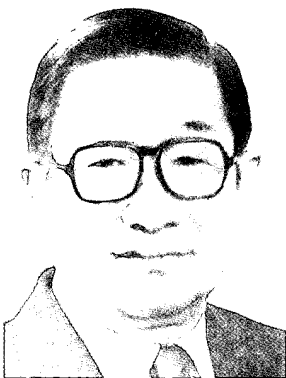
Hao Po-ts'un, 66 ... Chief of the General Staff ... closely associated with Chiang family since 1960s ... responsible for overseeing nuclear R&D, Taiwan's weapons' procurement program, day-to-day operation of armed forces ... political following in party unknown. Party ranking is 18th on CSC. [Redacted]



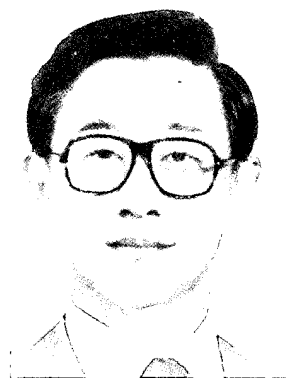
Wu Po-hsiung, 45 ... Minister of Interior ... youngest Taiwanese appointed to CSC ... protege of Li Huan and close to Justice Minister Shih Chi-yang ... comes from wealthy Taiwanese family ... owes position on CSC more to ability than political connections ... will oversee December legislative elections. Wu is ranked 21st on the CSC. [Redacted]

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Li Huan, 69 ... Minister of Education ... longtime confidant of Chiang Ching-kuo ... extensive patronage network in KMT and security services ... regarded as political moderate ... rumored to be leading candidate to replace Yu Kuo-hua as premier ... likely to play key role in succession government. Currently ranked 19th on the CSC. [Redacted]



Chen Li-an, 48 ... Chairman, National Science Council ... son of former Vice President Chen Cheng ... protege of Chiang Yen-shih, former KMT Secretary-General, and reportedly close to Li Huan. [Redacted]

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[Redacted] Current ranking on CSC is 26th. [Redacted]

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Hao's influence has increased recently, especially following the retirement of his chief rival, Sung Chang-chih. [Redacted]

Impact on Succession

Curbing Hao's power is part of a larger effort by Chiang to reduce the influence of the military and security services in island politics and ultimately, in

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Two Years of Living Dangerously

The administration of Premier Yu Kuo-hua has been a public relations failure since shortly after Yu was sworn in on 25 May 1984. Within six months, several coal mine disasters—resulting in a high loss of life—the murder of Chinese-American writer Henry Liu by agents of Taiwan's Military Intelligence Bureau, and the collapse of the 10th Credit Cooperative Bank had earned the Premier the sobriquet of "Typhoid Mary." The subsequent dismissal of two senior government officials and the sentencing of several lower level Finance Ministry functionaries for their role in covering up the 10th Credit scandal shook public confidence in the government. By the opening of the 1985 session of the Legislative Yuan, calls were being openly made for the Premier to step down. Opposition politicians charged that there was a "crisis in confidence" in the government—a charge some dangwai candidates used to their advantage in the Taipei Municipal Council elections last November. The government and party have denied that such a crisis exists, but many midlevel party cadre have privately admitted that, unless the KMT improves its image before the December elections, their vote margin over the dangwai could shrink. [redacted]

Shen's strident advocacy of hardline foreign policy positions has been criticized by younger party and government bureaucrats—including Taiwan's unofficial representative to the United States, Frederick Chien—who believe that a more flexible policy is needed. For example, Shen's rigid position on the nomenclature issue in the Asian Development Bank (ADB)—which rejected any name change as a prerequisite for Taiwan's continued membership in the Bank—was a serious source of contention within both the Foreign Ministry and the Cabinet, with many arguing that it was better for Taiwan to remain in the Bank as a full and participating member than to withdraw in order to maintain a "principled stand." Even Premier Yu [redacted] expressed his exasperation with Shen's stand, commenting that, were it not for Shen, Taiwan would have resolved the ADB issue months earlier. Local pundits have recently commented that Shen's influence with the President may be waning, however. [redacted]

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our view, in the succession issue. Last November, Chiang appointed Sung Hsin-lien—a Hao rival with no security experience—to head Taiwan's top intelligence agency, the National Security Bureau. [redacted] moreover, [redacted] the President ordered the reduction of party activities in the armed forces—we suspect to weaken Hao's ability to manipulate party elements within the military. Chiang has made a point of underscoring civilian control of the military lately by having senior military officers, including former Defense Minister Sung Chang-chih, publicly reiterate that the military services will remain subordinate to the government and constitution. During his December 1985 Constitution Day address to the National Assembly, Chiang flatly stated that the military would play no role in succession politics. Local observ-

ers are also characterizing Chiang's appointment of the civilian Wang Tao-yuan to the Defense Ministry as strengthening his commitment to removing the military from politics. [redacted]

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The net effect of these changes and those announced at the plenum, in our judgment, has been to restore some of the balance between contending factions and individuals, which had been upset by the departure from the national scene of former Premier Sun Yun-hsuan, and former KMT Secretary General Chiang Yen-shih, and the increase in power of party tradi-

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Chiang Ching-kuo in happier days [redacted]

tionalists and General Hao.³ Party traditionalists, led by Yu and Shen, for now will continue to dominate economic and foreign policy, but reform-minded elements centered on Li Huan have increased their influence in party affairs and, in our view, will act as a moderating force. The addition of two more Taiwanese to the CSC, bringing their total to 14 of the 31 members, represents Chiang's—and the KMT's—commitment to eventual power sharing, although native islanders continue to be far less influential than their mainlander colleagues.⁴ [redacted]

We believe that these changes increase the likelihood of a collective leadership if Chiang dies soon. We know little about Chiang's thinking on the succession issue, but his actions over the years lead us to conclude that he does not want any one of his top lieutenants to dominate a succession regime. Rather, he favors and, in our view, has long sought to create a collective leadership in which every player has a well-defined role. We suspect that the President has

[redacted]

⁴ The term "mainlanders" refers to those who came to Taiwan with the Nationalist government in 1949 and who have been in power ever since. Taiwanese usually means Chinese who emigrated to Taiwan from Fujian Province during the 17th and 18th centuries and from Guangdong Province. A third group, the aborigines, refers to Malay-Polynesian natives who originally settled the island and who now make up about 3 percent of Taiwan's population. [redacted]

avoided designating an heir apparent—as many local businessmen and politicians have urged him to do—for several reasons:

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- Such an individual could pose a threat to the President's own power and authority.
- An anointed successor would become a natural target for political rivals in the leadership, escalating political infighting.
- Chiang himself may genuinely believe that a collegial leadership, representing all key constituencies, offers the best prospect for long-term stability after his death. Chiang probably expects that such a body would be dependent on his legacy for legitimacy and thus be more likely than a strong leader to continue his policies and those of his father, particularly regarding "no official contact, no compromise, and no negotiations" (the *san bu* or three nos) with the mainland. [redacted]

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Next Steps

On the basis of a variety of reports of the American Institute in Taiwan (AIT) and stories circulating in Taipei, we believe that Chiang may be planning additional personnel changes, possibly before the December elections, including his own resignation from the presidency. The President has long been rumored to be contemplating personnel changes in the Executive Yuan (cabinet) and the military services, and rumors circulating before the plenum that Chiang would resign [redacted] have surfaced again. [redacted]

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[redacted] some Taiwan officials are convinced that he is preparing the public for his resignation from the presidency. Other observers of the local scene have speculated, however, that Chiang may postpone any major changes until after the next party congress, possibly in early 1987.⁵ [redacted]

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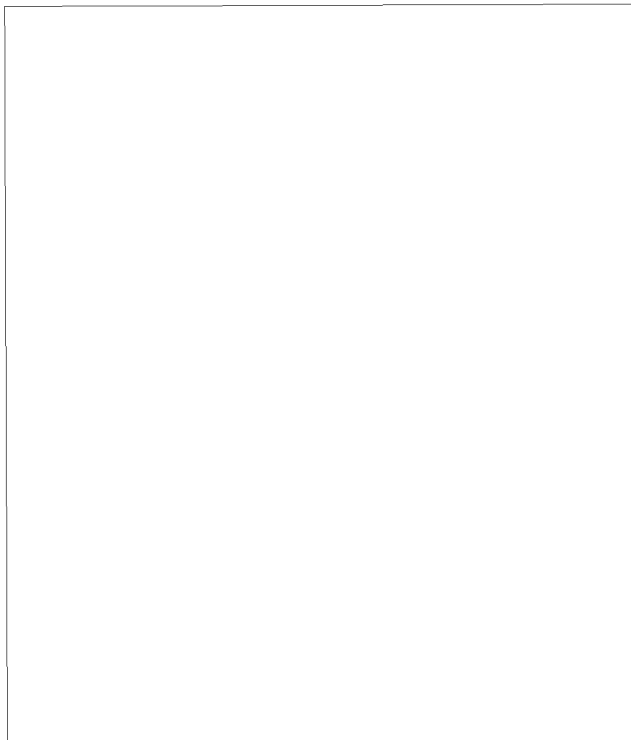
⁵ Party rules stipulate that a full party congress must be convened at least once every four years. The last congress was convened in March 1981 and is already a year overdue. [redacted]

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- Promote Yu Kuo-hua proteges to the finance and economic portfolios, and possibly the Council for Economic Planning and Development, consolidating Yu's position as Taiwan's foremost economic planner. [redacted]

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If these changes are made, we believe that they will do little more than reinforce the present balance of power among Chiang's top advisers. Party traditionalists will remain in control of Taiwan's foreign and economic policies, moderate technocrats such as Li Huan will retain control of most of the government bureaucracy, and Taiwanese will remain on the fringes of true political power. We would not expect any major departures from present foreign and economic policies. [redacted]

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On the party side, the appointment of the new KMT Secretary General may be in the offing. The incumbent, 76-year-old Ma Hsu-li, has stated privately he wants to retire. Widely regarded as a caretaker appointee, Ma replaced Chiang Yen-shih in February 1985.⁶ The Taiwan rumor mill, which has an uneven record, sees two possible replacements: Sung Shih-hsuan, director of the party's Organizational Affairs Department and a Chiang family member; and Minister of Education Li Huan. Like Li, Sung is a political moderate associated with party reform efforts and popular with both younger Taiwanese and mainlanders, but he and Li are rivals. Given Chiang's style, Sung may have the inside track because his appointment would tend to reduce Li's influence among middle-level party cadres. Sung's current post—where he has helped run the party on a day-to-day basis—also makes him better suited to oversee planned party reforms than Li, who has not held a party job since the late 1970s. [redacted]

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If Chiang does resign from the presidency, we would expect him to remain as KMT party chairman, and thus retain final say on key issues. Surrendering the presidency would relieve Chiang of ceremonial responsibilities—allowing him to conserve his strength [redacted]

[redacted] Stepping down also creates a vacancy that he can use to burnish the regime's image by promoting Vice President Li Teng-hui, a Taiwanese. In any case, we expect operation of the executive to reside with the premier and not the president. [redacted]

Regardless of whether or not he resigns from the presidency, [redacted]

[redacted] Chiang plans some additional cabinet changes, although the timing remains unclear. We expect that, in addition to changes already made in the Defense portfolio, Chiang will:

- Appoint Ting Mao-shih, a protege of the archtraditionalist Shen Chang-huan, to serve as Minister of Foreign Affairs.

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Economic Forecast—Partly Cloudy

Taiwan's sharp decline in economic growth from 10.5 percent in 1984 to 4.6 percent in 1985 probably foreshadows several more years of slower economic expansion. Although strong by international standards, the 5- to 6-percent growth rate forecast by the Council for Economic Planning and Development is below Taiwan's historically high standard. Lower growth rates probably will reduce already low consumer confidence and dampen domestic investment rates. The export sector, which accounts for almost half of Taiwan's GNP over the past five years, faces growing protectionism from developed countries, especially the United States, and stiffer competition from developing ones, most notably mainland China. Taiwan is aware of these problems, but, if the recent Generalized System of Preferences negotiations with the United States are any barometer of Taipei's attitude toward reform, we do not see any major economic reform initiatives in the offing. [redacted]

Indeed, we suspect that the recent upturn in the economy is likely to encourage Premier Yu and Taiwan's other conservative economic planners to move even slower in implementing needed economic reforms. Without government incentives, we believe that many of Taiwan's small, family-run firms, which dominate the economy, will temporize rather than risk the huge capital outlay necessary to modernize their businesses. This is particularly true in light of the recent surge of export orders for textiles and footwear from the United States and Japan. [redacted]

To encourage the development of more high-technology industries, the government will have to:

- Offer more financial incentives, such as low-interest loans, to small businessmen to retool their factories.

- Open up the investment sector to more foreign firms. This would require some major concessions from the security services, who view foreign investment as conducive to "subversion."
- Reduce the rate of capital flight—15 percent of Taiwan's GNP in 1984—to the United States. The government could restrict some capital flight by increasing incentives for domestic investors.
- Diversify Taiwan's export market. Almost 50 percent of Taiwan's exports currently go to the United States.
- Demonstrate its own commitment to industrial modernization by revamping and streamlining state-owned and -operated firms, many of which are poorly run and operate with huge financial losses.
- Develop a proper capital market that could convert high domestic savings into investment. [redacted]

The government is aware that changes must be made in Taiwan's financial structure. Indeed, conscious of the need for greater foreign investment, the government has loosened some restrictions on foreign capital holdings on the island and has offered some incentives for foreign firms to enter into joint ventures—much like those on mainland China—to encourage the development of more high-technology industries. [redacted]

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The Health of the Party

Intent on preserving the margin of victory in the 1983 elections (71 percent), Chiang may want to replace Ma with Sung or Li to help restore party morale and to put a proven campaigner in charge of the December elections. The party secretary general plays a key role both in the day-to-day operation of the party and in vetting party candidates for the elections [redacted]

[redacted] The party strategy approved at the plenum also will require a stronger, more capable, and imaginative administrator than Ma if it is to succeed. [redacted]

[redacted] the plan is to devise an appeal that will broaden the party's base among the urban and provincial lower classes—in part by fielding candidates more in tune with local needs. [redacted]

Despite continuing success at the polls—in the most recent provincial elections last December and February, the party won 72 percent of the vote—top party officials in our view have reason for concern, a judgment they themselves share, [redacted]

[redacted] For example, during a late December 1985 review of the provincial elections, senior KMT officials conceded that:

- KMT losses to the opposition in the urban areas were a direct result of growing public dissatisfaction with existing economic policies.
- The party's failure to be more flexible regarding popular demands for political reform—especially in light of the 10th Credit Cooperative scandal and the Henry Liu murder—was also responsible for KMT losses at the polls.
- They had underestimated the dangwai candidates' campaign skills. [redacted]

The December elections are important to the KMT, even though its continued dominance is not at stake. Taiwan's international reputation suffered over the last two years with the scandal over the Henry Liu murder and domestic difficulties that called into

question the KMT's claim to be a "democratic" party. Moreover, as Beijing increasingly pressured many Third World nations to withdraw diplomatic recognition of Taiwan, Taipei's sense of isolation increased. Taipei also appeared increasingly intransigent and unreasonable toward Beijing's more flexible overtures on reunification. Thus, KMT leaders see the elections as a chance to:

- Demonstrate that, unlike their mainland counterparts, Taiwan allows its citizens to elect representatives by direct election.
- Buttress their claim to represent—through popular elections—all of China.
- Strengthen the KMT's claim to be a legitimate government with popular support from the majority of the "nation."

Alternatively, a poor showing at the polls by KMT candidates strengthens Beijing's argument that the KMT is nothing more than a "clique" whose only interest lies in perpetuating its control over the "Province of Taiwan." [redacted]

Dealing With the Dangwai

Chiang's most surprising initiative in preparing for the elections has been his willingness to engage the dangwai in a dialogue. Since retreating to Taiwan in 1949, the KMT has governed under martial law restrictions and has not permitted a formal, organized opposition, although it has tolerated non-KMT political figures. According to AIT and press reports, Chiang has personally directed KMT functionaries to adopt a much more conciliatory approach to the dangwai. [redacted]

The KMT is offering two carrots to the opposition. By agreeing to open a dialogue with dangwai leaders, the party is lending a sense of legitimacy to the opposition and a forum in which to publicize its views. The talks are receiving considerable press coverage. Further, by allowing the opposition to formally establish branch offices of the Dangwai Public Policy Research Associ-

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Taiwan's Elections

This year Taiwan's voters will elect supplemental members to two of Taiwan's legislative bodies—the National Assembly and the Legislative Yuan—and their oversight body, the Control Yuan. The original delegates to the National Assembly and Legislative Yuan were elected on the mainland in 1947, and after the Nationalist retreat to Taiwan in 1949 full elections were no longer possible. Supplemental elections for both national-level and provincial-level legislative and municipal bodies are held every three years.

Elections for the Control Yuan are held every six years. The National Assembly first authorized supplemental elections in 1966, when it passed the Temporary Provisions Under Effect During the Communist Rebellion, which provided for the election of delegates to meet demographic changes on Taiwan. The first supplemental elections took place in December 1969, when 15 and 11 supplemental legislators were elected to the National Assembly and the Legislative Yuan, respectively. The Control Yuan elected two supplemental legislators in 1969. In addition to legislators elected to represent Taiwan in the Legislative Yuan, supplemental seats are also reserved for overseas Chinese, aborigines, women, and professional groups. Since the first supplemental elections, the Legislative Yuan has become increasingly involved in the policymaking process and is no longer regarded as only a rubberstamp.

The KMT and two other parties controlled by it—the Democratic Socialist Party and the Young China Party—are the only legal political parties on Taiwan. The opposition is a loosely organized collection of individuals who legally run as "independent" candidates.

According to AIT reporting, 660 KMT members expressed interest in running in the December elections by registering their candidacy with the party in May. The party began vetting candidates in June, and the list of proposed candidates will be submitted to the KMT Central Committee for approval in Septem-

ber. KMT members who do not receive the party's nomination but decide to run anyway risk expulsion from the party—unless they win the election. The dangwai has no formal nominating process, but several opposition members have already announced their intentions to run for office, and the dangwai probably will establish "campaign assistance committees" later this year to serve as support groups for dangwai candidates.

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The number of seats up for election this year is still unclear. Press reports have said that the government—because of demographic changes—may increase the number of Legislative Yuan seats by two, and the National Assembly may add six supplemental seats to its rolls, bringing the total to 73 and 82 supplemental legislators, respectively.

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Under the Election and Recall Law, candidates may formally campaign only during the two-week period before election day—a restriction that clearly favors the better organized KMT machine. Both KMT and opposition candidates, however, have in the past found ways of getting around this restriction by holding "birthday parties" and "tea receptions" that are thinly disguised election rallies. The government does not permit candidates to campaign either on television or in the newspapers, but some opposition candidates managed to get their message across last year by placing campaign ads at the beginning of rental videotapes that are widely available in Taipei.

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Open vote buying and bribery have been problems in the past, and the Central Election Commission probably will restrict the amount of funds candidates are allowed to spend on their campaigns to prevent abuses by both KMT and opposition candidates. In the past, however, these restrictions have not prevented candidates on both sides from passing out "gifts" such as cigarette lighters, tea sets, and cash as inducements to voters.

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ation (DPPRA)—a quasi-political party technically illegal under martial law restrictions—the KMT is giving the opposition the opportunity to strengthen its organizational capabilities before the elections. [redacted]

Along with the carrots, however, there is a familiar stick. Since the attempted demonstrations on the anniversary of martial law in late May, the party has made it clear that it will not tolerate any attempts to disrupt “domestic political harmony.” Dangwai demonstrators still risk arrest and jail for unlawful political agitation. Moreover, the government’s decision to go ahead with the sentencing of three dangwai members in early June clearly signaled the opposition not to mistake the KMT’s flexibility for weakness in the face of dissent and demonstrated that the party wants to keep the current political dialogue within carefully prescribed bounds. [redacted]

We see three possible motives for this approach. Taiwan’s leaders have followed events in the Philippines and South Korea closely, according to AIT [redacted] and we believe they see their gestures as a means of defusing tensions with the dangwai that have grown over the past year. We believe that the KMT also hopes to drive a wedge between moderate and more radical dangwai leaders. Permission to organize and open offices may produce more competition between individual dangwai figures than between the KMT and the dangwai—a possibility we believe the KMT also sees. Finally, KMT leaders view the gestures as burnishing their image at home and abroad. [redacted]

Netting It Out

In our view, the more conciliatory approach to the dangwai represents a tactical shift rather than a policy change. [redacted]

[redacted]

In our judgment, the KMT’s gestures will probably have the effect on the dangwai for which party leaders hope. Moderate and more radical opposition figures are already arguing over how best to respond to KMT [redacted]

The Dangwai Point of View

The dangwai movement traces its roots back to the 1950s, but assumed its present form during the early 1970s when the government allowed dangwai candidates to run for national legislative office for the first time. Opposed to continued KMT and mainlander dominance, dangwai leaders have used their restricted political freedoms to push for:

- An end to martial law.
- The right to form a political party.
- Freedom of assembly and the right to demonstrate.
- Direct elections for key legislative and executive offices on Taiwan. [redacted]

At present, there are three recognizable dangwai factions. The Kaohsiung Incident faction, led by the relatives and lawyers of leading Kaohsiung Incident prisoners—jailed for their participation in a riot on Human Rights Day in 1979—have been the dominant group within the dangwai since 1983. Militant and inclined toward confrontational tactics, they are also the most outspoken in favoring self-determination for Taiwan. Their voter appeal—based on a sympathy vote for their jailed relatives—has begun to decline, as the memory of the Kaohsiung Incident begins to fade. [redacted]

The fastest growing group within the dangwai is the New Generation faction. A strong proponent of moving step by step toward forming a formal political party, it has its origins in opposition magazines and some Taiwan universities. The New Generation faction has a strong appeal among younger voters and can even count some younger mainland politicians among its adherents. [redacted]

The most moderate of the dangwai factions is led by veteran politician K’ang Ning-hsiang—long an advocate of working within the system and even cooperating with the KMT, particularly with younger KMT mavericks in the Legislative Yuan. K’ang and his followers generally appeal to the mainstream voter in Taiwan who is looking for an alternative to the KMT. Defeated in his reelection bid in 1983, K’ang plans to run again for the Legislative Yuan this December. [redacted]

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overtures. For example, moderate dangwai leader K'ang Ning-hsiang has been accused by the more radical opposition of "selling out" to the KMT because of his willingness to work with the party to resolve KMT-dangwai differences. At the same time, opposition leaders are competing—especially in Kao-hsiung and Taipei—to establish branch offices and win the same small vote pool of dangwai supporters.

[redacted]

The party's overtures entail some risks, however. Several party oldtimers, possibly including Shen Chang-huan, loyal to the memory of the late Chiang Kai-shek, are opposed to any form of dialogue with the opposition.

[redacted] President Chiang's directives caused friction in the top leadership and even some opposition from younger party members such as Kuan Chung, Chairman of the KMT Provincial Headquarters. Growing unhappiness with what some may view as a KMT "cave-in" to opposition demands, especially if the KMT allows the opposition to retain "dangwai" in the DPPRA office titles or backs down from insisting that the dangwai register its offices with the government, could intensify factional squabbling in the top leadership, hampering efforts to vet KMT candidates and risking an unusually high number of unsanctioned candidates who could split the KMT vote.

[redacted]

[redacted] The security services view any loosening of existing restrictions on dangwai activities with some suspicion and will, in our judgment, prevail upon Chiang to crack down if an opportunity arises

[redacted]

There is a cost to the KMT if it decides to abandon the conciliatory approach, however. Depending on the circumstances, a retreat could hurt the party's credibility with the majority of the population. There is also a risk that elements of the opposition could be further radicalized, and a crackdown would further tarnish Taiwan's human rights record. Moreover, recriminations are likely to follow in the party.



Chiang (left) and constitutional successor Li Teng-hui

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Eye on Washington

In the present atmosphere, we expect the dangwai to continue to press for greater political rights, and the demonstrations in June suggest to us that the chances of confrontation as well as dialogue have increased. Although additional KMT and government personnel changes are likely, we do not expect any major changes in economic or foreign policy between now and December. The election and the internal situation are likely to have the leadership's full attention.

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Whatever happens, the KMT leadership will have an eye on Washington and will be mindful of possible US reactions. Sensitivities to US perceptions of its human rights record may serve to moderate how Taipei reacts to opposition activities, including new demonstrations. In particular, Taiwan will in our judgment try to avoid giving its US critics any ammunition at a time when it is hoping for approval of the FFG-7 frigate program.

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