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Central Intelligence Agency



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**DIRECTORATE OF INTELLIGENCE**

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Taiwan's Provincial Elections: Clearing the Way for Change

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**Summary**

The Kuomintang's overwhelming victory in the provincial elections on 16 November has helped boost the confidence of the party, which has been beset by problems in recent months. We expect President Chiang Ching-kuo to try to correct some of these problems by making changes in the government and party early next year that could lead to a moderation of Taiwan's current hardline foreign policy and implementation of needed economic reforms. If Chiang, however, interprets the election results as a vote of confidence for his advisers and the current group of party elders remains in place, we would expect factionalism to increase and public confidence in the government, which declined over the summer, to erode further.

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[Redacted]

**Winning a New Mandate?**

The ruling Kuomintang (KMT) won an expected majority in the 16 November provincial elections, garnering 69 percent of the popular vote--albeit a slip of 2 percent from the last provincial elections. The dangwai (opposition) failed, however, to turn the elections into a referendum on the KMT leadership and to capitalize on financial scandal<sup>1</sup> and the Henry Liu murder. The KMT won 146 of 191 contested seats for county magistrate, Taiwan Provincial Assembly, and the Taipei and Kaohsiung Municipal Councils. Thus, the KMT remains in firm control at the local level, and will be able to point to the results to dismiss opposition claims that there is a crisis of confidence in the government. [Redacted]

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In our judgment, the KMT's overwhelming victory results from three key factors:

- The party's organizational superiority, which enables it to "get out the vote."
- Its ability to field attractive, well-educated Taiwanese candidates, who appeal to the largely Taiwanese electorate and are responsive to voter concerns.
- The election and recall law that favors the KMT machine by limiting the "official" campaign period to the ten days prior to the election and the number of rallies candidates can hold during a single day--placing strains on dangwai campaigners who lack an organized infrastructure. [Redacted]

25X1

The party was also assisted by splits among opposition leaders--who could not agree on a common slate of candidates and in some cases competed against each other--allowing KMT candidates to win with only a plurality of the vote. Radical opposition candidates, who in 1981 and 1983 attracted voters based on sympathy for relatives jailed after the 1979 rioting in Kaohsiung--were unable to recapture the sympathy vote this year. Finally, national issues, such as the 10th Credit financial scandal, turned out to be less important to most voters--at least outside of Taipei--than local issues such as the environment, roads, schools, and social services, according to American Institute in Taiwan reporting. [Redacted]

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**What It All Means**

We believe that the KMT's victory will restore party confidence, which has been battered by allegations of corruption and financial malfeasance against senior party and government officials. Assuming Chiang's health does not deteriorate, we expect him to make long-anticipated changes in the Executive Yuan (cabinet) and to begin to plan for

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the 29 March plenum, which probably will elect a new Central Standing Committee and a new party Secretary-General. We also expect Chiang to begin to tackle some of the problems that have beset the government and to strengthen the KMT's ability to attract voter support in the fall 1986 legislative elections. Although we are unsure about the composition of a new cabinet, [Redacted] the President intends to name the Vice President, Li Teng-hui, to the premiership.<sup>2</sup> [Redacted]

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Local pundits have also speculated that the current director of the party's Organizational Affairs Department and Chiang family member, Sung Shih-hsuan, may replace Ma Shu-li, a member of the KMT old guard, as the current party secretary-general. [Redacted] Sung is a moderate who is well-regarded by party members and has a strong following among younger party cadre. Also rumored for promotion is Minister of Education Li Huan, who may become Vice Premier. Since the stroke of former Premier Sun Yun-hsuan and the dismissal of former KMT Secretary General Chiang Yen-shih, Li has been the de facto head of the moderate coalition of young mainlanders and Taiwanese within the KMT. [Redacted]

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If these changes occur, we expect to see a shift from current hardline policies to more flexible policies, including economic reforms.<sup>3</sup> We suspect that the moderates have been very critical of the hardliners' foreign policy positions, particularly on the use of Taiwan's "official" name, "The Republic of China," which they opposed several years ago. They probably would push to expand Taiwan's international economic ties and allow trade and some unofficial contact with the mainland, believing that a more moderate approach is the best way of countering Chinese efforts to isolate Taiwan and force Taipei into a dialogue over reunification. [Redacted]

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Alternatively, but we think less likely, the election results could convince Chiang that changes in the senior leadership are unnecessary, at least for the present. In that case, Premier Yu Kuo-hua and Shen Chang-huan, Secretary-General of the Presidential Office, would continue to exercise control over the party and government apparatus and to promote their hardline domestic and foreign policies. Inherently cautious, this group of leaders would not push for needed economic reforms, and probably would seek to retard both the Taiwanization and liberalization of governing institutions. Over time, such actions could trigger serious factional infighting in the KMT between party old timers and younger Taiwanese and mainlanders. [Redacted]

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<sup>2</sup> Li's assumption of the Premiership would not change his status as Chiang's constitutional successor. It is possible that Li might hold both positions concurrently. [Redacted]

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<sup>3</sup> [Redacted]

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County Magistrates and Municipal Mayors

<u>City/County</u>	<u>Name</u>	<u>Affiliation</u>	<u>Incumbent</u>
Penghu County	Ou Chien-chuang	KMT	No
Hualien County	Chen Ching-shui	KMT	No
Changhua County	Huang Shih-chen	Independent	Yes
Taipei County	Lin Feng-cheng	KMT	Yes
Ilan County	Chen Ting-nan	Dangwai	Yes
Tainan County	Lee Ya-chiao	KMT	No
Kaohsiung County	Yu-Chen Yueh-ying (female)	Dangwai	No
Taitung County	Cheng Lieh	KMT	No
Yunlin County	Hsu Wen-chih	KMT	Yes
Taoyuan County	Hsu Hung-chih	KMT	Yes
Chiayi County	Ho Chia-jung	KMT	No
Taichung County	Chen Keng-chin	KMT	Yes
Pingtung County	Shih Meng-hsiung	KMT	No
Miaoli County	Hsieh Ching-ting	KMT	Yes
Hsinchu County	Chen Chin-hsing	KMT	Yes
Nantou County	Wu Tun-yi	KMT	Yes
Taichung City	Chang Tsu-nan	KMT	No
Keelung City	Chang Chun-hsi	KMT	Yes
Chiayi City	Chang Po-ya	Dangwai	No
Tainan City	Lin Wen-hsiung	KMT	No
Hsinchu City	Jen Fu-yung	KMT	No



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- 1 -- CPAS/ILS ((7G15)
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- 1 -- [Redacted]
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