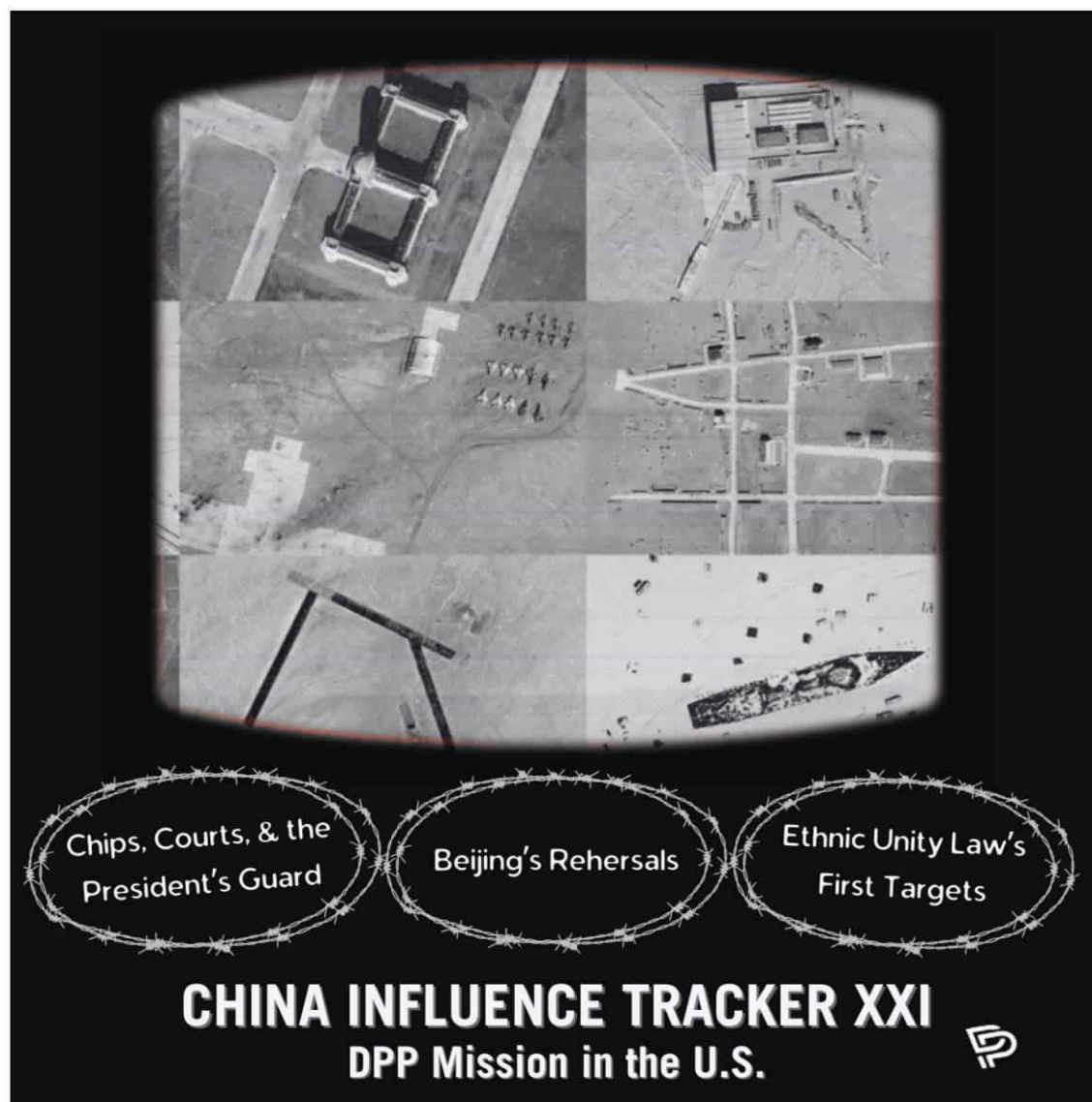


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民主進步黨
Democratic Progressive Party of Taiwan

China Influence Tracker (XXI)



August 6, 2026

Happy August Recess, and welcome back to the CIT. July saw a former TSMC manager accused of handing over trade secrets, Taiwan's Supreme Court uphold prison sentences for three Beijing-funded political operatives, new Control Yuan findings on a Presidential Office spy ring recently sentenced to prison, and fresh revelations of PLA training activities. China's new Ethnic Unity Law found its first targets, elementary schoolers became fair game for Beijing's united front handlers, and foreign governments faced fresh pressure to help enforce Taiwan's isolation.

Here's how it all played out.

July's Toplines

- ***Chips, Courts, and the President's Guard:*** A former TSMC manager was indicted for trade secret theft. Taiwan's Supreme Court upheld prison sentences for three Beijing-funded political operatives. The Control Yuan released a report on July 29 detailing how three Presidential Office security officers ran an espionage chain from 2021 to 2024, each recruiting his own successor.
- ***Beijing Rehearses Taking Taiwan by Force:*** Satellite imagery revealed PLA replicas of Taiwan's Presidential Office and Su'ao Naval Base, built to rehearse storming the capital and striking the fleet. Chinese government vessel sightings around Taiwan jumped 83% the same month.
- ***Ethnic Unity Law Finds its First Targets:*** Weeks after taking effect, Beijing's Ethnic Unity Law found its first test cases. A Hong Kong gangster assaulted Taiwan-based journalist Yaita Akio, which PRC state media called "righteous indignation," and Hong Kong police raided a bookstore over a Taiwan-published title.
- ***Beijing Treats Schoolchildren as Fair Game:*** Elementary school participation in Beijing-sponsored exchange programs jumped from 38 to over 1,000 students in three years, extending a united-front push to those too young to know what's being asked of them. Some trips left no record of where they went or who they met.
- ***Third Countries Pay the Price for Engaging Taiwan:*** Papua New Guinea closed Taiwan's representative office at Beijing's urging. Chinese diplomats demanded Taiwanese delegates be removed from an Australian political party's conference. Governments are being forced to decide, case by case, whether Taiwanese people are welcome at all.

Chips, Courts, and the President's Guard

Beijing doesn't need a single dramatic breach. It needs one person, in the right institution, willing to say yes. This month proved it has more than one. Taiwan's chip industry faced its own breach. On July 20, [prosecutors indicted](#) a former TSMC deputy manager for copying 21 documents tied to technologies Taiwan designates as core national assets, then conspiring with a Hong Kong intermediary allegedly directed by a CCP Central Military Commission liaison officer to build a semiconductor materials analysis company in China. Prosecutors are seeking a seven-year sentence under the National Security Act and Taiwan's Trade Secrets Act.

That reach into Taiwan's institutions wasn't limited to industry. Taiwan's Supreme Court upheld an eight-year [sentence for Zhou Manzhi](#), who took funding from Chinese united-front organizations to build networks promoting one country, two systems, a two-year, eight-month [sentence for Ma Chih-wei](#), who accepted roughly NT\$1.05 million to fund a legislative campaign while passing along government personnel information, and a four-year sentence for Lin Hsueh-feng, who used Taiwan Affairs Office (TAO) funding to bus local officials to China for subsidized banquets pushing a preferred presidential candidate. The TAO [denounced Zhou's conviction](#) the same day as judicial persecution.

The Control Yuan added its own findings to a case the Supreme Court recently closed. Three Presidential Office security officers from the Military Police 211th Battalion spied for Beijing from 2021 to 2024, each recruiting his own successor before transferring out or leaving the military; their sentences were finalized last December. The [report described](#) a pattern of espionage passed down from one cohort to the next through a perpetual handoff, warning that had it gone undetected, Chinese intelligence could've gained the guard rotations, evacuation routes, and emergency procedures needed to infiltrate the compound or mount a leadership decapitation operation.

But while Beijing recruited engineers, political operatives, and others within Taiwan's own institutions, **it was also preparing for what comes next.**

Beijing Rehearses Taking Taiwan by Force

Beijing wants deniability today and jurisdiction tomorrow. Chinese government vessels circled Taiwan's main island [55 times](#) in June, an 83% jump from May, and coast guard ships pushed into Kinmen's restricted waters twice this month. By July 31, China's Coast Guard [claimed](#) a task group led by the Xiushan had spent the month running "routine law-enforcement patrols" east of Taiwan. Taiwan's coast guard dismissed this as fake law enforcement but real expansionism, and stressed that **China holds no actual authority in those waters—however many times Beijing repeats the claim.**

Coast guard patrols can be denied, renamed, or explained away later. The seat of Taiwan's government, replicated block by block for troops to train in, can't. On July 26, [satellite imagery](#) showed the PLA had built scale

replicas of Taiwan's Presidential Office and the surrounding streets of central Taipei, precise enough for ground units to train as though already in the capital, alongside a mock-up of Su'ao Naval Base scarred with simulated missile-impact damage. Taiwan's Ministry of National Defense (MND) [confirmed](#) it had a full intelligence picture of both sites and called the threat extremely serious.

Ships and replicas can only reach as far as the water and the land beneath them. Beijing's newest law was built to reach further than that.

Ethnic Unity Law Finds its First Targets

Beijing's Ethnic Unity Law found its first test case within a week of taking effect. On July 6, Taiwan-based journalist [Yaita Akio was assaulted](#) in Taichung by a Hong Kong gangster, and the Mainland Affairs Council (MAC) activated its transnational-repression response mechanism, calling it the first such case in Taiwan since the law took effect. Eight days later, a studio run by the state-level China News Service published an article casting Yaita as aligned with Taiwan independence and the Japanese right, dismissed Taiwan's investigation as fearmongering, and repeated the TAO's line that the attacker had acted out of "righteous indignation."

Nine days after Yaita's assault, Hong Kong's national security police [raided two bookstores](#) in Mong Kok and arrested five people over books shipped from overseas, reportedly including a Taiwan-published title. No banned-books list ever followed, and none was needed: by July 21, a Taiwan logistics company was already warning customers against shipping books that criticize the Chinese government or carry sensational titles. MAC Deputy Minister Liang Wen-chieh [said](#) Taiwanese publishers now carry "a little Garrison Command" in their own minds.

The Ethnic Unity Law is aimed at people Beijing wants to silence. Meanwhile, its united-front system is aimed at those it hopes never need silencing in the first place.

Beijing Treats Schoolchildren as Fair Game

Three years ago, Taiwanese elementary school students barely showed up in Beijing's exchange programs. This year, more than a thousand did. Taiwan's Control Yuan [reported](#) that elementary school participation jumped from 38 students to 1,045, while junior high participation rose from zero to 1,021 and university-level participation grew from 2,196 to 5,745.

Over the same period, Chinese student exchanges into Taiwan kept shrinking, turning what's billed as mutual engagement into an almost entirely one-way flow. The investigation also found unreported trips and private recruitment by teachers and civic groups operating outside Taiwan's registration system, leaving no record of where some of these students went or who they met.

But Beijing's outreach to Taiwanese students didn't stop at school trips.

The TAO [promoted](#) "Taiwan Youth e-Home," a platform collecting résumés, contact information, and career plans from young Taiwanese. The MAC [warned](#) that employment and internship platforms like it are gathering personal information with no transparency about how the profiles built from it might be used later. In the end, this isn't simply about student exchanges. It's about deciding who gets access to Taiwan's next generation—and on whose terms.

Beijing's efforts to shape Taiwan's future extend well beyond the island itself. **When it can't isolate Taiwan by itself, it pressures foreign governments and institutions to do it on its behalf.**

Third Countries Pay the Price for Engaging Taiwan

Beijing is still offering other governments the same trade: markets and dialogue in exchange for shutting Taiwan out. Papua New Guinea took the deal. On July 16, the country's foreign minister [announced the closure](#) of Taiwan's representative office, calling Taiwan's presence "no longer recognised or required." China called it the right decision; Taiwan's foreign ministry said Port Moresby acted unilaterally and lodged a formal protest. The closure landed the same week Chinese Foreign Minister Wang Yi toured four Nordic capitals, pairing trade and green-tech cooperation with pressure on each government to affirm its "one China" policy.

That offer got a different reception elsewhere. Chinese [diplomats demanded](#) that Taiwanese observers be removed from the Australian Labor Party's national conference; Labor's national secretary refused, and the diplomats left. Chinese embassy staff in Bangkok [pressured organizers](#) of a Taiwan film festival to drop its official logo; the festival ran with the logo in place. Direct demands, twice rejected in public.

When public pressure didn't work, Beijing found quieter ways to apply it. Taiwanese officials [suspect Chinese pressure](#) behind India's abrupt

denial of an export license for a defense purchase, though no Indian official has confirmed it. And after a Taiwanese tour group's traffic accident near Irkutsk, Russia, the TAO said its consulate had assisted "Chinese citizens, including Taiwan compatriots." But the MAC's own Tourism Administration had already handled the case and urged Beijing not to politicize the accident for its own ends.

July's Throughline? July was about preparation. Beijing had planted people in the president's own guard and cultivated another in the chip industry. It has rehearsed seizing the capital with replicas and ships, and sought to build a recruitment pipeline that starts before students can read. Some of that was visible by satellite. Some of it appeared in court records. **The rest came down to someone willing to open the door.**

In collaboration with the DPP China Affairs Department, the latest DPP U.S. Mission report provides key updates on the evolving cross-strait situation, detailing the escalation of China's military intimidation, gray zone activities, cognitive warfare, and United Front infiltration targeting Taiwan. Enclosed are the recent developments, offering a comprehensive overview of the current threat landscape, Taiwan's countermeasures, and emerging public opinion trends shaping the strategic environment.

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DPP Concludes Third Annual Diplomacy Empowerment Program in Washington, DC



The Third Annual Delegation with AIT Managing Director Ingrid Larsen (center) and Secretary General Hsu Kuo-yung (center-right).

July 22nd, 2026

The Democratic Progressive Party sent its third Diplomatic Empowerment Program (DEP) delegation to Washington, D.C., from July 13 to 17. The delegation included a speechwriter to President Lai Ching-te, legislative aides, a researcher from former President Tsai Ing-wen's Thinking Taiwan Foundation, and staff from the Straits Exchange Foundation. **DPP Secretary-General Hsu Kuo-yung personally led the delegation the first three days before heading home to preside over [the party congress](#).**

The itinerary reflected the breadth of relationships the DPP has built in Washington: meetings with officials at the U.S. State Department and Department of War; leadership at the American Institute in Taiwan headquarters; and bipartisan, pro-Taiwan members of Congress and their senior staff members.

Beyond meetings with the Administration and Congress, the delegation also exchanged views with scholars and analysts from many of Washington's leading policy institutions, including the Hudson Institute, American Global Strategies (AGS), the Brookings Institution, the Center for Strategic and International Studies (CSIS), the Council on Foreign Relations (CFR), the America First Policy Institute (AFPI), the Global Taiwan Institute (GTI), the Special Competitive Studies Project (SCSP), the German Marshall Fund (GMF), Freedom House, the American Enterprise Institute (AEI), and the Jamestown Foundation.

Mr. Hsu said his decision to lead the delegation personally reflects how much weight the DPP places on developing this next generation of national security and diplomatic talent—people already trusted with real responsibility in the President's Office, the Legislative Yuan, and Taiwan's policy institutions. Sitting across the table from U.S. officials and think tank scholars, he said, sharpens the kind of firsthand understanding of the Taiwan-U.S. relationship that no memo can replicate.

Among the substance the delegation raised with the U.S. side was concern over China's new "Ethnic Unity Law," promulgated July 1, which Hsu characterized as a tool for extraterritorial jurisdiction and transnational repression. In the short time since the law took effect, he said, several Taiwanese citizens have already disappeared inside China, part of a larger pattern that has produced more than ten thousand cases worldwide of

Taiwanese nationals detained or arrested by Chinese authorities. That repression reaches into Taiwan itself, he added, pointing to the recent attack on media figure Akio Yaita. **Hsu urged the U.S. to treat the issue with urgency and to work with Taiwan against this "red terror" in defense of the Taiwanese people's right to democracy and freedom.**

On defense, Hsu addressed the opposition parties' passage in May of a scaled-back version of the government's proposed "Special Budget to Strengthen Defense Resilience and Asymmetric Warfare Capabilities," which stripped out funding for drone development, both aerial and naval uncrewed systems. **Drones, he said, are central to Taiwan's asymmetric defense strategy, and cutting that funding comes as China's military and rhetorical pressure reach dangerous highs.**

To close that gap, the government has proposed a second special budget dedicated to drones. The opposition has countered with a weaker version: oversight moved to the Ministry of Economic Affairs, funding reviewed every year. Hsu maintained that military drone programs belong under the Ministry of National Defense, not Economic Affairs, and that annual reviews can't keep pace with real military need. A multi-year special budget, he said, would let the armed forces get equipment on schedule and give domestic manufacturers the confidence to invest in R&D and scale up production, rather than bracing for next year's funding fight.

Alongside its engagements with the Administration, Congress, and Washington's policy community, the delegation also met with Ambassador Alexander Yui of the Taipei Economic and Cultural Representative Office in the United States (TECRO) and Taiwan's diplomatic corps, exchanging views on the comprehensive dimensions of the Taiwan-U.S. relationship. At the Formosan Association for Public Affairs (FAPA), President Su-Mei Kao briefed the delegation on FAPA's advocacy and legislative work in Congress and introduced them to the next generation of Taiwanese American leaders the organization is cultivating. That spirit of community connection also extended to an invitation from the Taiwanese Association of America for Secretary-General Hsu to speak with the diaspora community in the greater Washington area about the challenges and opportunities for Taiwan at home and abroad.

The DPP's International Affairs Department and the U.S. Mission sincerely thanks the diplomats, lawmakers, staff, and scholars across Washington

who gave our delegates their time this week, as well as the Taiwanese American community that welcomed them so warmly. **Their partnership is what makes DEP possible, and we look forward to bringing future delegations to Washington in the year to come.**





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President Lai Responds to Passage of 2026 Central Government Budget

August 14, 2026

Today the Legislative Yuan passed the third and final reading to pass Taiwan's 2026 central government general budget, bringing to a close a legislative process that President Lai noted had lasted **351 days***.

President Lai Ching-te noted that the budget was submitted to the legislature in August 2025 and, by law, should have been completed by the end of last year. He expressed regret that the final package still included significant cuts and funding freezes, including NT\$48 billion in reductions, steep cuts to government public communications funding, and freezes affecting the normal operations of government agencies.

DPP Legislator [Wang Ting-yu](#) highlighted the extent of the delay and the opposition's role in the prolonged review process. "The 2026 central government budget was submitted to the Legislative Yuan last August and, by law, should have been completed before the end of the year. Yet the KMT and TPP repeatedly refused to take it up for review, and it was not even scheduled for consideration until May. Now, with nearly two-thirds of 2026 already gone, the budget has only finally passed," Wang said. "Never before

in Taiwan's history has a central government budget been held up this far into the fiscal year."

President Lai stressed that legislative scrutiny of government spending remains an important constitutional responsibility, but argued that the process must not undermine the government's ability to function. "Legislative oversight and budget review are important constitutional responsibilities, but budget deliberations should return to professionalism, reason, and proportionality," he said. "Political differences should not be allowed to disrupt the normal functioning of government."

He also thanked Premier Cho Jung-tai and the administration for maintaining government operations throughout the prolonged budget process, even as Taiwan faced a rapidly changing international economic and security environment and continued demands related to livelihoods, industry, infrastructure, and national defense.

"The more uncertain the circumstances, the more steadily we must govern," President Lai said. "That is our responsibility to the people and a principle this administration has consistently upheld."

Looking ahead, the Executive Yuan is expected to approve its proposed 2027 budget next Thursday for transmission to the Legislative Yuan on schedule. President Lai said the new budget will direct the benefits of economic growth toward strengthening Taiwan's long-term resilience, including expanded support for children and families, increased investment in technological innovation and public infrastructure, support for industrial upgrading, and stronger defense preparedness.

He urged the Legislative Yuan to take this year's prolonged budget process as a lesson and return to rational, professional deliberations when reviewing next year's budget. Timely passage, he said, is necessary not only to ensure proper legislative oversight, but also to allow key public programs, economic investments, and national defense priorities to move forward as planned.

**The budget remained before the Legislative Yuan for 351 days from its submission to final passage; media [reports](#) have separately described it as 266 days overdue.*

Read the original statement: [President Lai on Facebook](#)

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Taiwan's Drone Bill Sent to Cross-Party Negotiations

COMPARING TAIWAN'S DRONE LEGISLATION

Rapid Response: DPP Mission in the U.S.

	EY BILL PROCUREMENT BILL	KMT SPECIAL ACT	TPP SPECIAL ACT
WHAT IT BUYS	✓ Littoral recon drones, littoral attack drones, one-way USVs	✗ Doesn't name equipment, funds a process instead	✗ UAVs only
AMOUNT	✓ NT\$210B over 6 years	✗ NT\$240B ceiling, up to NT\$40B a year over 6 years	✗ Not specified
FUNDED VIA	✓ Special budget financed by public debt	✗ Annual budget, competes with other spending priorities	✗ Not specified
REVIEWED BY	✓ Foreign Affairs & Nat'l Defense Comm., classified hearings	✗ Economics Comm., no classified hearings	✗ Economics Comm., no classified hearings
FUNDING CONTINUITY	✓ Full 6-year authorization with ability to renew	✗ Yearly amount not guaranteed, sunset after 6 years	✗ Reviewed by commission, half party-appointed

July 31st, 2026

It's been a fast few days in Taiwan's drone budget fight, and there's a lot to catch up on. The biggest development [since May](#) took place on July 27,

when the joint committee reviewing the Executive Yuan's (EY's) NT\$210 billion special budget bill sent it to party caucus negotiations, bundled together with 13 competing proposals, most of them minor variants filed by individual legislators. The real fight still comes down to the EY's procurement bill, and the KMT's and TPP's special acts. In response to the referral, President Lai Ching-te called on all parties to "return to a position of safeguarding national security, jointly support the version proposed by the Executive Yuan, speed up the development of Taiwan's asymmetric warfare capabilities, and continue strengthening national defense autonomy." So here's what's changed, and why it matters for Washington.

In May, the opposition's cut-down version of the government's original special defense budget eliminated all funding for domestic drone procurement. The EY's bill is the way to fill that gap, and it isn't the only route the government is working: officials are also pursuing a supplemental funding request once the FY26 annual budget passes, and continuing to press for support through that annual budget in the meantime. The opposition's bills don't clear that bar.

The EY's Bill Was Built Around What the Military Actually Needs. The Others Weren't.

The EY's version is a procurement bill: it names equipment and authorizes money to buy it. The KMT's and TPP's are special acts instead, a different kind of legislation that sets up rules and processes rather than funding a purchase outright. That's why the EY's bill names exactly what it would buy, **littoral recon drones, littoral attack drones, and autonomous surface vessels**, the same systems cut from the budget in May, while the KMT's version doesn't specify equipment at all, and the TPP's funds only unspecified UAVs, excluding vessels entirely.

Everything else about the EY's proposal matches that specificity. It's built around the Ministry of National Defense's (MND's) own requirements, going through the only committee equipped to review defense procurement and co-production when sensitive capabilities are involved. The KMT's and TPP's versions route through the Ministry of Economic Affairs (MOEA) instead, which doesn't have the same mechanism for handling classified information.

A special budget and the annual budget aren't interchangeable, either. The EY's bill draws on public debt issuance, so procurement doesn't compete

against other spending needs. The KMT's version runs through the regular annual budget instead, competing every year against social programs, transportation funding, and Taiwan's other defense priorities. KMT legislators have also acknowledged the bill doesn't guarantee full funding gets approved annually.

Reports of Pressure on Opposition Lawmakers

There's a reason this keeps taking longer than it should. A source with knowledge of cross-strait affairs said a pro-Beijing businessperson met with an opposition politician in June and laid out three instructions: cast Taiwan's drone program as civilian and economic rather than military, delay the bill until after a possible Trump visit to Beijing this fall, and open Taiwan's drone supply chain to Chinese entities. AEI, in a joint research project with the Institute for the Study of War, covered the same claim independently, framing it as part of a broader Chinese effort to slow Taiwan's shift toward unmanned systems. Defense Minister Wellington Koo has been clear about what the moment actually calls for: keep military procurement separate from civilian development, so the military's own requirements don't get diluted along the way.

Industry Can't Afford to Wait on the Legislature

At a July 23rd Legislative Yuan hearing, Taiwan Aerospace Corp's general manager told lawmakers the sector needs sustained investment across the whole supply chain, not project-by-project funding, and that Taiwan's UAV industry has grown 100-fold in two years, on the edge of becoming a major supplier to the world's democracies if the government commits now. National Taiwan University's professor said Ukrainian UAV developers have offered to share combat knowledge so Taiwan "would not need to trade lives for experience," an exchange continued cuts would put at risk. CSBC's chairman added that submarine and vessel testing legally requires Ministry of National Defense (MND) funding, civilian sources can't authorize it. "Now is the time for the government to commit," the chairman said.

Meanwhile, the civilian side has its own reckoning. A separate NT\$44 billion civilian drone plan is caught in it too. Last week, the KMT's caucus submitted a motion to suspend it outright, calling it "bloat." A day later, it walked that back to a freeze on this year's disbursement instead, framed as a demand for "proper oversight." Cabinet spokeswoman Michelle Lee pushed back, noting the funds cover projects already carried over from last

year that had already cleared review, and that withholding them threatens Taiwan's non-red supply chain efforts along with the search-and-rescue and law enforcement work the program also funds.

What This Means for Washington

As the funding debate continues in Taipei, troops set to train with similar systems don't get a vote on how it's resolved. August's [Han Kuang exercises](#) will test drone warfare and counter-drone operations at scale, unscripted, under conditions built to reflect a real fight. The EY's bill would restore the three systems still withheld from Taiwan's arsenal, selected after a year of close consultations with the U.S. around asymmetric capabilities Taiwan can't source elsewhere. A special budget exists so these advantages aren't undermined by partisan clashes. Commercial and dual-use development belong in the regular budget, and support for its passage is more than welcome. But they can't come at the expense of the systems Taiwan's forces need now. Without them, Taiwan's soldiers are left to do more with less when it matters most.

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Taiwan Cannot Afford Further Delay on Unmanned Defense



Photo credit: Office of the President, Taiwan

August 26th 2026

Taiwan's urgent defense needs cannot afford further delay or distraction. As the Legislative Yuan (LY) considers the Special Act on the Procurement of Indigenous Unmanned Defense Systems, Vice President Bi-khim Hsiao underscored on August 26 why strengthening Taiwan's unmanned systems capabilities is no longer optional, but an urgent national security priority.

In a joint interview with the Central News Agency and Radio Taiwan International, VP Hsiao laid out a strong case for unmanned systems—not only as a military necessity, but as a tool for societal resilience and a strategic opportunity for Taiwan's technology and manufacturing base.

Taiwan may have gotten a late start on autonomous defense, but as VP Hsiao put it, **"Better late than never."**

From Ukraine to the Middle East, unmanned systems have transformed modern warfare and become indispensable to asymmetric defense. For Taiwan, the objective is deterrence: raising the cost and difficulty of aggression so that Beijing never concludes Taiwan would be easy to capture.

As VP Hsiao warned, **"We cannot allow Beijing to miscalculate Taiwan's determination to defend itself."**

Russia's invasion of Ukraine demonstrated the danger of an aggressor believing that victory would be quick and easy. Taiwan must ensure that no one reaches the same conclusion about the Taiwan Strait. Building a resilient unmanned defense network is therefore not simply another procurement program, it is part of making aggression against Taiwan more difficult, costly, and ultimately unachievable.

Unmanned systems also strengthen Taiwan's broader resilience. From disaster response and search-and-rescue to infrastructure inspection, their dual-use capabilities can help Taiwan respond faster and operate more effectively when lives and critical infrastructure are at risk.

At the same time, urgent defense demand can become a long-term industrial advantage. As democracies seek trusted alternatives to PRC-controlled supply chains, Taiwan can leverage its strengths in precision

manufacturing, semiconductors, automation, and AI to become a trusted global supplier of unmanned systems and critical components.

The Executive Yuan's proposal prioritizes three concrete military requirements tailored to Taiwan's island defense and multi-domain denial strategy:

- **1,446 littoral surveillance and reconnaissance drones** to strengthen battlefield monitoring and intelligence;
- **208,200 littoral attack drones** to build a large-scale, mass-producible asymmetric strike capability; and
- **1,320 small one-way attack unmanned surface vessels** to strengthen maritime deterrence.

These are not abstract industrial targets. **They are capabilities Taiwan's defense requires.** "They are also the capabilities originally discussed with the United States" as part of Taiwan's overall defense plan.

"Only the Ministry of National Defense can determine what it needs: types, models, specifications and functions of the drones required," VP Hsiao argued.

But the KMT and TPP cut these from the original special budget earlier this year.

The LY opposition says they support Taiwan's defense and its unmanned systems industry. Then they should also support the scale and certainty required to make both viable. **Large, long-term orders give manufacturers the confidence to invest, automate, and scale—**strengthening Taiwan's own defense while building the trusted supply chains its democratic partners increasingly need.

As VP Hsiao points out, **"National security and science should not become partisan politics."**

Yet the LY cross-party negotiations on August 26 ended without agreement. The opposition is pushing a version of the Special Act that will not only divert resources away from defense priorities into general economic development, but also cap all spending under an annual installment plan. Their bills will not deliver immediate defense needs, and it makes it too uncertain for businesses to make major investments in drone production capacity. In short, it kicks the can down the road,

leaving Taiwan's asymmetric defense up in the air. The competing proposals will now move to the LY plenary session on **August 27 for consideration and floor vote.**

Beyond filling a critical defense need, how the bills are handled will also have strategic significance, as VP Hsiao noted.

"The industry needs to be able to see a future," she said. "When the government makes large-scale purchases and helps build these capabilities, international orders and competitiveness will naturally follow."

On August 27, the LY will have an opportunity to show what supporting Taiwan's defense actually means. "We should respect the Ministry of National Defense's force-building schedule and requirements," VP Hsiao said.

- Vice President Hsiao's Interview:

<https://focustaiwan.tw/politics/202608260005>;

<https://www.rti.org.tw/en/news?uid=3&pid=228214>

- [Presidential Office Release \(unofficial translation by the DPP U.S. Mission\)](#)

- Original DPP statement: https://www.facebook.com/story.php?story_fbid=1648426606647090&id=100044392990655&mibextid=wwXIfr&rdid=kjsNAc6oKswoBD5D#

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The Opposition Cut Taiwan's Drone Budget. Their New Bills Won't Buy Them Back.



July 9th, 2026

In May, the KMT-TPP coalition slashed Taiwan's original NT\$1.25 trillion special defense budget down to NT\$780 billion, stripping out 210,000 drones, 1,320 unmanned surface vessels, and the domestic programs behind them. They didn't cut just any domestic line item, they tore up a plan Taiwan's government had spent the last year building in close consultation with Washington. A senior White House official publicly expressed disappointment, stressing that the U.S. wants the remainder of the original proposed package funded. And the State Department added that further delays to Taiwan's military spending are a "concession to China."

In an effort to correct the course, on June 18th, the Executive Yuan (EY) proposed a fix: a six-year, NT\$210 billion special budget to restore what was gutted: **1,446 coastal reconnaissance drones, 208,200 coastal attack drones, and 1,320 unmanned surface vessels, all planned for manufacture through the end of 2031.**

The KMT and TPP [buried the EY's proposal](#) before it could reach committee, then each drafted an alternative. While they're all on the docket, the counterproposals still don't specify what they'd actually procure. Here's what's really in each one.

The EY's Bill Names What It's Buying. The Opposition's Bills Don't.

The EY's bill does what its alternatives won't: it names all three systems and puts NT\$210 billion behind buying them on a fixed six-year clock. Together, those three systems connect surveillance, targeting, and strike capacities into one coherent chain, which is precisely why the KMT and TPP zeroed them out in May in the first place.

The [KMT's bill proposes](#) NT\$240 billion, but the extra NT\$30 billion over the Cabinet's NT\$210 billion isn't tied to a single procurement item. All it specifies is that 50 percent of each drone's components be made in Taiwan within two years, rising to 80 percent within four, along with three dispersed production sites and a report to the legislature within a month of any single award over NT\$100 million. ***But it doesn't clarify what that money actually buys, [a gap raised recently](#) in the Taipei Times.***

Meanwhile, the TPP's bill [sets no ceiling](#) and requires the government to write extensive UAV development guidelines every four years. ***It still doesn't include unmanned surface vessels.*** The TPP voted to strip Taiwan's counter-landing capability from the budget in May, and its own fix, months later, excludes it again.

What a Special Budget Settles Once, an Annual Budget Reopens Every Year.

The EY's bill relies on a special budget for one reason: it authorizes the full NT\$210 billion once, lets the Ministry of National Defense (MND) plan procurement, testing, and delivery against a fixed six-year runway, and gives manufacturers a demand signal solid enough to expand production against. MND has [said so directly](#): ***a special budget is what lets it place large, long-term orders in a field where the technology moves faster than an annual budget cycle can track.***

The pan-blue packages would move funding into the general annual budget instead, framed as tighter oversight while actually exposing the program to a fresh political fight year after year. The KMT's version caps

spending at NT\$40 billion a year for six years, meaning the same battle over funding never actually ends, with a fresh chance every year to delay, freeze, or cut it entirely. At a Foreign Affairs and National Defense Committee hearing last week, Defense Minister Wellington Koo asked KMT legislators point-blank: would they guarantee that the allotted NT\$40 billion would never be touched, or would related defense budgets absorb the cuts instead? His question remains unanswered.

President Lai has called the opposition's approach an overstep, telling the DPP's Central Executive Committee that funneling funding through the annual budget would subject it to the national debt ceiling from which a special budget is immune, stripping the Cabinet of the flexibility that a fast-moving field like unmanned systems demands. A Taipei Times editorial went further, arguing the opposition's approach raises a constitutional dispute over the separation between the EY's authority to compile the budget and the LY's authority to approve it. The practical and the constitutional objections point to the same conclusion: an annual budget doesn't just risk delay, it crosses the line separating the LY's power to approve a budget from its power to write one.

The KMT Wants the Economic Ministry to Make Military Decisions.

The EY's bill gives the MND sole authority over the program, since it's the agency that defines what systems are needed, in what quantity, and for which missions. The KMT's bill, on the other hand, assigns defense procurement to the Ministry of Economic Affairs (MOEA) as a co-lead, conflating an industrial policy agency with a war-fighting one. The TPP's proposal goes a step further, folding in the Civil Aviation Administration alongside MOEA to avoid what the party calls "fragmented oversight."

Both bills solve a problem that doesn't exist. Taiwan doesn't have to choose between building its drone industry and buying what its military needs: the government already runs a separate NT\$44.2 billion MOEA-led industrial program to cultivate the domestic supply chain. That track already exists. Folding a redundant industrial blueprint into the defense procurement bill doesn't add support for the industry, it adds another agency's priorities to a bill meant to answer one question: how does Taiwan fund the systems it was denied in May.

Bottom line: One bill answers how Taiwan will pay for the systems it needs, while the KMT and TPP built the others to keep their grudge match

going year after year. That fight has a cost, and it's paid by the manufacturers, workers, and communities building this industry — not by the legislators dragging it out.

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民主進步黨

Democratic Progressive Party of Taiwan

DPP Youth Diplomacy Empowerment Program Happy Hour Reception — RSVP Reminder

HAPPY HOUR



JOIN US IN WELCOMING THIS SUMMER'S COHORT
OF YOUTH DIPLOMACY EMPOWERMENT FELLOWS!

JULY 15TH 5:30 - 7:30PM

PLEASE RSVP
DPP.DC.OFFICE@GMAIL.COM

LOCATION
HAWK N DOVE CAPITOL HILL DC

July 13th, 2026

Dear Friends,

A quick reminder to RSVP for our Happy Hour featuring the distinguished delegates of this year's YDEP class!

If you've already registered, thank you—we look forward to seeing you! Feel free to invite colleagues/friends, and kindly ask each guest to RSVP via Eventbrite.

Join Us for the DPP Youth Diplomacy Empowerment Program Happy Hour!

The Democratic Progressive Party's Youth Diplomacy Empowerment Program (YDEP) brings together emerging political leaders and public

policy professionals from Taiwan for an immersive exchange with policymakers, think tanks, and civil society organizations in Washington, D.C. Through dialogue and firsthand engagement, the program aims to strengthen participants' understanding of U.S.-Taiwan relations, democratic governance, and international affairs while fostering lasting connections with partners in the United States.

The DPP Mission warmly invites you to join us for a Happy Hour reception with this year's YDEP delegation. Come meet the participants and enjoy an evening of conversation with friends and colleagues from the Taiwan policy, democracy, and international affairs communities.

Event Details

 Wednesday, July 15th  5:30-7:30 PM
 329 Pennsylvania Ave. SE, Washington, DC 20003

Registration

RSVP by July 14th via Eventbrite. For any questions or accommodation requests, please contact **Peng-Hsuan Chen** at phchen@dppusmission.org.

Warm Regards,
Taiwan DPP U.S. Mission

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民主進步黨
Democratic Progressive Party of Taiwan

Full Remarks: President Lai at the DPP's 40th Anniversary Congress



President Lai, in his role as Party Chair, opens the DPP's 22nd National Party Congress on Sunday at the Taipei International Convention Center.

July 20th, 2026

Yesterday, President and Chairman Lai Ching-te opened the DPP's 22nd National Party Congress at a genuine crossroads for the party: 40 years since its founding under martial law, 30 years since Taiwan's first direct presidential election, and a decade of continuous DPP governance. He traced that history back to the party's founders who risked everything to defy authoritarian rule, and pointed to a decade of DPP governance that has delivered the strongest economic growth Taiwan has seen in a generation. He also addressed China's newly implemented "Ethnic Unity and Progress Promotion Law" head-on, and introduced "A Better Life for Taiwan," the platform DPP candidates will run on nationwide this November, built around raising wages, cutting taxes, and expanding benefits — all aimed at reducing financial burdens for families and workers.

Read President Lai's full remarks, as translated below:

Full Remarks [HERE](#)

Address by Chairman Lai Ching-te at the DPP National Party Congress, July 19, 2026

"Vice President Hsiao Bi-khim, Premier Cho Jung-tai of the Executive Yuan, former Chairpersons Yao Chia-wen, Hsu Hsin-liang, Hsieh Chang-Ting, Su Tseng-chang, and Yu Shyi-kun, the Group of the 18 Founding Members, friends of the diplomatic corps in Taiwan, Secretary-General Pan Meng-an of the Presidential Office, Deputy Premier Cheng Li-chun of the Executive Yuan, DPP Secretary-General Hsu Kuo-yung, Legislative Yuan DPP Caucus Leader Tsai Chi-chang and our 51-legislator caucus, mayors and county magistrates, candidates for county and city governments, distinguished guests, and all fellow party delegates: Good afternoon! Hello, everyone!

We convene today's National Party Congress at a moment that is, for the Democratic Progressive Party. This event is far more than any routine; we stand at several pivotal crossroads of history.

This year marks the 40th anniversary of the founding of the Democratic Progressive Party, the 30th anniversary of Taiwan's direct presidential elections, and a decade of continuous governance by the DPP.

These numbers are not merely the accumulation of time. They represent the journey

taken by generation after generation of the Taiwanese people in their pursuit of democracy, freedom, and dignity. This journey coincidentally happens to be the DPP's trajectory: from the streets, through the opposition movement, and now to the weight of national governance it bears.

I want to thank all our democratic pioneers and party members in public office for joining today's National Party Congress as we mark our 40th anniversary. Together, we honor the sacrifices of our predecessors in the pursuit of democracy, and we commit ourselves to the future of Taiwan.

Forty years ago, the Democratic Progressive Party was born under the era of martial law and authoritarian rule. In those days, Taiwan had no freedom. Many words could not be spoken; many things could not be done. In pursuit of democracy and human rights, many have sacrificed their youth, their family's happiness, and even their valuable lives.

However, people still chose to stand up. They stood up not because victory was in sight, but because they understood that Taiwan would never change if no one dared to step up and move forward; If no one is willing to take risks, the next generation would never experience true freedom.

As our founding Secretary-General, Professor Huang Erh-hsuan, wrote in his diary: "Much like Prometheus of Greek mythology, who stole celestial fire to illuminate mankind, I knew well that such an act would provoke the gods and invite catastrophe. Yet, I remained completely undeterred."

This simple phrase of "remained completely undeterred" sums up the convictions and state of mind of our democratic pioneers. Even knowing the road ahead was covered in thorns, they still marched forward courageously. They did so because they believed that as long as the spark of democracy was ignited, one day, the Taiwanese people would become the true masters of this land.

Our founding pioneers bravely opposed authoritarian rule at the cost of their freedom and lives, allowing democracy to blossom and bear fruit in Taiwan. We must always and deeply hold them in our gratitude.

Over the past forty years, the DPP has experienced setbacks and victories, received applause, and faced criticism. Along this journey, our most vital asset has not been the outcome of any single election, but our unwavering belief: that the people of Taiwan have the right to decide their own future, and the land of Taiwan is worth defending with our entire lives for the sake of our children and generations to come.

My fellow party members, this year also marks the 30th anniversary of our direct presidential elections.

Thirty years ago, with immense courage and the sacred ballots in their hands, the

people of Taiwan directly elected their president for the very first time. On that day, Taiwan proved to the world that our destiny is in our own hands, not in the hands of others. We are the masters of this democratic country.

Direct presidential elections also shaped the DPP's stance on national identity, leading to the passage of the "Resolution on Taiwan's Future" in 1999 and the "Resolution on Ethnic Diversity and National Unity" in 2004.

These resolutions explicitly state that Taiwan is already an independent and sovereign country; its constitutional name is the "Republic of China", and it is not subordinate to the "People's Republic of China". Regardless of ethnic origin or when you arrived in this country, if you identify with Taiwan, then you are a master of this country. The future of Taiwan must be decided collectively by the 23 million people of Taiwan.

Therefore, uniting the Taiwanese people, defending Taiwan's sovereignty, and safeguarding our democracy and freedom are not just missions handed down by generations of democratic pioneers; they are the responsibility of our generation, and our everlasting promise to the people of Taiwan.

My fellow party members, this year also marks ten consecutive years of DPP's governance entrusted by the people. This is the trust they have placed in us, and the responsibility they have given us.

Last month, the International Institute for Management Development (IMD) in Lausanne, Switzerland, released its 2026 World Competitiveness Yearbook. Taiwan ranked fourth globally, up two spots from last year. When the DPP took office in 2016, Taiwan was ranked 14th. Ten years later, we have reached fourth in the world, marking our best performance in history.

This shows that Taiwan's economic performance, government efficiency, business efficiency, and infrastructure have all gained recognition from the international society. It also demonstrates that Taiwan is on the right path: democratic governance can be efficient, democratic nations can be competitive, and a democratic Taiwan can stand among the best in the world.

Over these ten years, Taiwan's economic strength has grown continuously, making us a global vital hub for semiconductors, artificial intelligence, information and communications technology, defense industries, security control, and next-generation communications.

Last year, Taiwan's economic growth rate reached 8.76%, our employment rate was at its best within these 15 years, meaning the Gini coefficient, which measures the wealth gap, remained stable. During the first quarter of this year, our economic growth rate reached 14.55%, which is a 48-year high. The annual projection is expected to reach 9.64%, and may even surpass 10%, and next year we will enter

the world's top twenty economies.

To secure our developmental advantage in the era of artificial intelligence, Premier Cho's executive team has launched the "10 AI Initiatives" and even stepped further to proposed a 100 billion NTD upgrade and transformation fund for small, medium, and micro enterprises, fostering collaboration between technology and traditional industries to drive sustainable economic development.

Over the past decade, we have also committed the largest social investments in history. Sharing economic prosperity with the people is the DPP's mission. We have implemented the "Raising Children Together from Age 0 to 6" policy and "Growth Allowances for Ages 0 to 18," expanding maternity subsidies, letting the state stand with young families in raising children, we have implemented universal tuition-free policies for senior high and vocational schools, tuition subsidies for private colleges and universities, student dormitory rental allowances, and lower student loan interest rates. These measures reduce the financial burden on students and parents alike, fulfilling the core philosophy of the DPP, making educational equity a reality.

At the same time, we have expanded the long-term care budget from 4.95 billion NTD in 2016 to 115.3 billion NTD this year. We have also comprehensively raised the eight major social welfare allowances to ensure our seniors are better cared for and vulnerable families are better supported.

During these ten years, Taiwan's democracy has grown more resilient, and our international visibility has consistently risen. In the face of authoritarian expansion, disinformation campaigns, military threats, and diplomatic pressure, Taiwan has not backed down. Taiwan has proven to the world that democracy is not a weakness; it is strength. A united Taiwan can grow stronger under pressure and braver amid challenges.

The DPP government continues to advance defense reforms, strengthening asymmetric capabilities, defense autonomy, and whole-of-society defense resilience. This ensures Taiwan is better equipped to protect itself and shows the international community that Taiwan is a responsible party in maintaining peace and stability across the Taiwan Strait. We do not provoke, we do not act rashly, and of course, we will absolutely not succumb, nor will we back down.

Over the past decade, we have proven that under the Democratic Progressive Party's governance, Taiwan has become safer and more progressive, its economy has grown stronger and more competitive, and the Taiwanese people have received better care. The people of Taiwan have also gained greater confidence to shine brightly on the international stage of culture, sports, and education.

I want to thank Premier Cho Jung-tai and Deputy Premier Cheng Li-chun for leading our executive branch, Caucus Leader Tsai Chi-chang for guiding our 51 legislator caucus, Secretary-General Hsu Kuo-yung for spearheading our DPP Headquarters,

and all local party officials and public representatives for working hand in hand. Together, we have enabled the government to steadily advance national development and implement policies that enhance the well-being of our people.

I want to emphasize that national governance makes no distinction between central and local government. When local communities move forward, the nation moves forward.

Here, I would also like to express my gratitude to our four outgoing mayors and county magistrates: Kaohsiung Mayor Chen Chi-mai and his team, Tainan Mayor Huang Wei-cher and his team, Chiayi County Magistrate Weng Chang-liang and his team, and Penghu County Magistrate Chen Kuang-fu and his team, who is currently undergoing medical treatment for an injury.

However, we are all aware, the external threats facing Taiwan remain persistent. Although we have achieved strong results, we must stay vigilant in times of peace. This month, disregarding international opposition, China willfully implemented its "Ethnic Unity and Progress Promotion Law." This demonstrates that its legal warfare against Taiwan has shifted from 'opposing independence' under the 'Anti-Secession Law' to 'enforced unification' cloaked in disguise of 'ethnic unity.'

This malicious law not only attempts to incorporate Taiwan into the scope of China's ethnic affairs, thereby expanding legal prosecution, forcing self-censorship among our people, and infringing upon Taiwan's sovereignty and national dignity, but it also abuses long-arm jurisdiction and cross-border repression, extending the tentacles of authoritarianism worldwide and threatening the global democratic order.

In response, the government will strictly establish a comprehensive system to implement prevention, counteraction, and protection mechanisms, thereby ensuring the safety of all citizens. Furthermore, we will continue to deepen cooperation with the international democratic alliance to jointly defend universal democratic values and fundamental human rights.

I also expect our party members to stand on the front lines, united in opposing the threat of China's "Red Terror" upon Taiwanese society. Let us work with one heart to guard our democratic and free way of life, and we will never allow a "Democratic Taiwan" to regress into "China Taiwan."

At this moment, Taiwan is at a critical juncture, and the people hold deeper expectations for the Democratic Progressive Party.

The DPP's responsibility is not only to resolve the difficulties in people's daily lives and to develop our economy well, but also to secure the country with strength.

Therefore, in the elections at the end of this year, the DPP will uphold three major principles, giving our all to win the support of the public and to shoulder our

responsibilities to Taiwan and its people.

First, Our Candidates: a New Generation for the New Era:

The candidates we have put forward are outstanding choices from all walks of life, including legislators, council presidents, government ministers, professors, lawyers, and physicians. They all possess the ideal of putting Taiwan first, professional expertise in urban governance, problem-solving abilities, and the determination to stand with the people.

Taiwan has gradually stepped into a new era. By nominating governance talents of the new generation, we aim to carry the weight of Taiwan's new era.

And new local governance requires not only excellent mayors and county magistrates, but also outstanding local councilors, and township mayors, working together to form a new-generation team to steer this new era, to strive and work together as one.

Second, Introducing Our Joint Platform: A Good Life in Taiwan

Today, I would like to report once again to my fellow citizens across the nation. The DPP's shared platform for the year-end elections, "A Better Life for Taiwan," aims to continuously raise wages, cut taxes, expand benefits, and reduce financial burdens. Through these efforts, we are steadily moving toward our vision of a welfare state, one where the youth see hope, adults realize their dreams, the elderly enjoy happiness, and the disadvantaged receive care.

Third, Cherishing the People as One's Own Family:

I would like to borrow a quote from our late pioneer Huang Hsin-chieh, to encourage our candidates running in the November elections: "A politician must be deeply compassionate—even more compassionate than a doctor. You must see other people's pain as the pain of your own family. Only with this kind of heart can one truly be a politician."

These words remind us that the essence of politics is to "cherish the people as one's own family." Those in government must win the trust of the people with a warm heart and compassionate actions.

By this way, can we let the Taiwanese people know clearly: choosing the DPP is choosing steady reform, choosing a better life, and choosing to keep Taiwan moving forward.

I would like to sincerely appeal to my fellow citizens and friends across the nation to fully support all DPP candidates. Let us help them secure a resounding victory so that we can unite to fight for our future. Together, we can build a democratic,

peaceful, and prosperous Taiwan, ensuring that everyone living on this land can live and work in peace, chase their dreams with courage, and pursue a better life. Thank you all."

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Rapid Response: What's Next After Taiwan Passed the Drone Bill

August 28th 2026

This week, we highlighted Vice President Bi-khim Hsiao's August 26 interview, where she pointed out that Taiwan cannot afford further delay in building its unmanned defense capabilities. [\[Read our full statement\]](#)

The Executive Yuan Proposed a Special Budget to Meet the Urgent Defense Need

The Executive Yuan (EY) proposed a dedicated special budget to procure three urgently needed systems—**littoral surveillance and reconnaissance drones, littoral attack drones, and small one-way attack unmanned surface vessels**—as quickly as possible, while keeping pace with rapid technological iteration, fielding needed combat capabilities, and building domestic production capacity.

The Opposition's Version Does Not Meet the Urgency of Taiwan's Defense Requirements

On August 27, however, the opposition-controlled Legislative Yuan rejected that approach. Instead, they pushed through an alternative drone bill, a six-year, NT\$240 billion framework, the “Act on Strengthening Defense Autonomy and Developing the Unmanned Vehicles Industry.” At the urgent plea of Defense Minister Wellington Koo, the final legislation keeps military procurement under the Ministry of National Defense (MND) and allows funding to be increased when needed. However, it does not adopt the EY’s dedicated special-budget mechanism or the MND’s specific procurement quantities and schedule. Funding will instead be appropriated through the **regular annual budget process, further delaying the budget review for unmanned systems until next year**, with NT\$40 billion per year.

The issue is not whether funding exists, but whether the MND has the predictable, dedicated multi-year funding needed to procure urgently required systems on its operational timeline. The MND expressed regret that EY’s proposal was not adopted, stressing that the original quantities and schedule were based on threat assessments and operational requirements and were designed to acquire the three systems in the shortest possible time while keeping pace with technological change, force development, and domestic production needs. [[Read the full MND statement in English \(unofficial translation by the DPP U.S. Mission\)](#)]

The Ministry of Economic Affairs (MOEA) raised a parallel concern from the industrial side. It warned that relying on annual appropriations creates risks of **budget crowd-out, delayed legislative review, and funding cuts**, making government orders less stable and predictable. For an industry with high R&D costs and significant upfront investment needs, the MOEA cautioned that such uncertainty could weaken companies’ willingness to invest in research, expand production capacity, and scale Taiwan’s unmanned systems supply chain. The MOEA also warned that the opposition’s creation of the “National Unmanned Vehicle Industry Development Strategic Special Committee” (notably to be filled with party nominees) could introduce additional political and administrative bottlenecks into a process which is already being coordinated through an existing interagency mechanism. [[Read the MOEA statement](#)]

DPP Spokesperson Lee Kuen-cheng likewise warned that the opposition’s version does not adequately respond to Taiwan’s urgent defense

requirements or provide the mechanism needed to build industrial capacity in a rapidly evolving technological environment. As Lee put it, **“national security leaves no room for delay or political calculation.”** [[Read the DPP Statement](#)]

The Government Will Spare No Effort to Build the Capabilities Taiwan Needs

The government’s responsibility for national defense has not wavered, and it has pledged to do whatever it takes to work around all the obstacles the opposition has set up. One way or another, we must develop and field substantial capabilities in these critical areas of littoral reconnaissance and attack, as well as surface drones, **within the timeframe Taiwan’s defense requirements demand**. The MND has already emphasized that, given the importance and urgency of procuring unmanned systems, it will follow the Executive Yuan’s guidance to expedite the budget allocation for the establishment of unmanned combat capabilities.

Speaking after the Act’s passage, Presidential Office Spokesperson [Karen Kuo](#) expressed her frustration: **“While countries around the world are stepping on the gas and accelerating, Taiwan should not remain stuck at the starting line with the handbrake on.”** Nevertheless, Kuo made clear that the government will continue moving forward: **“We will not slow down. Within the constitutional and legal framework, we will pursue every available avenue to build the capabilities we need and protect national security.”**

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Democratic Progressive Party of Taiwan

China Influence Tracker (XXII)



September 4, 2026

It's Friday, and there are 85 days until Taiwan's elections.

The CCP's United Front Work Department and Taiwan Affairs Office reportedly pressured Beijing-friendly lawmakers in August to block drone legislation that the PLA fears could erode China's military edge in the Taiwan Strait. The Legislative Yuan delivered on August 27, killing the \$6.6 billion special budget in favor of a weaker, annually reviewed alternative. Now those lawmakers have to explain a vote that advanced Beijing's interests, while their party's local candidates head into November with control of Taiwan's major municipalities at stake. Meanwhile, the DPP's China Affairs Department uncovered an AI operation harvesting voter data before Taiwanese head to the polls, and prosecutors dismantled a pipeline

that pressured indebted service members into handing over intelligence.

Here's what August looked like.

August's Toplines

- **Beijing Targets Taiwan's Drone Buildup:** The CCP's United Front Work Department and Taiwan Affairs Office pressured Beijing-friendly lawmakers to block drone legislation that PLA had concluded would erode China's edge in the Strait. The Legislative Yuan (LY) then rejected the \$6.6 billion special budget for a weaker, annually reviewed alternative.
- **China Turns AI and Insiders Loose on November's Elections:** The DPP's China Affairs Department exposed an AI operation that mines voter data to fabricate targeted content. An operative was sentenced for working with Beijing in past elections, and a KMT delegation echoed China's sovereignty claims in Shanghai. AI agents separately breached 21 government networks last month.
- **Espionage Exposed:** Chinese intelligence turned military personnel debt into recruitment leverage, orchestrating two operations that demanded classified information in exchange for loans. Investigators also probed 17 companies accused of poaching Taiwanese tech talent and uncovered a scheme that diverted NVIDIA AI servers to Chinese buyers for more than \$21 million.

Beijing Targets Taiwan's Drone Buildup

A Beijing-based source told the *Taipei Times* that the PLA had recommended to China's Central Military Commission that Taiwan's drone buildup be blocked, warning it could erode China's military advantage in the Strait. The same source said the CCP's United Front Work Department and Taiwan Affairs Office were already pressuring Beijing-friendly Taiwanese politicians to block the Executive Yuan's special act funding coastal surveillance drones, coastal attack drones, and small attack vessels. Beijing wanted the budget subject to annual, item-by-item review instead of a lump sum, buying Chinese planners more time to develop countermeasures.

The LY delivered on August 27, rejecting the Executive Yuan's (EY's) six-year, \$6.6 billion special budget and passing a KMT-backed alternative instead: \$7.6 billion over six years, subject to annual budget review and overseen by the Ministry of Economic Affairs rather than the Ministry of National Defense (MND). The MND expressed regret, noting its original quantities and procurement schedule were built on threat assessments and operational requirements. Vice President Bi-khim Hsiao went further, adding that the opposition bill leaves out major elements that would hurt the drone industry and Taiwan's readiness. The Ministry of Economic Affairs warned days later that the new law could hamper the drone sector's development, since Taiwan's supply chain of more than 274 companies had already invested heavily based on the government's original plan.

Even before the drone vote, President Lai had already sounded the alarm on another threat: Beijing's bid to manipulate Taiwan's elections.

China Turns AI and Insiders Loose on November's Elections

President Lai Ching-te warned on August 12 that Beijing sees November's local elections as a test for whether they can manipulate the Taiwanese electorate using fabricated stories, manipulated polls, and deepfake content. Four days later, the DPP's China Affairs Department spelled out how. Operators collect voters' private data and draw on public sentiment, then distribute tailored content through local collaborators' social media accounts. From there, they target voters based on their own online behavior, impersonate local voices convincingly enough to pass inside group chats, and release fabricated scandals timed to land right before voters go to the polls, before anyone can catch the lie. They study what worked, disguise their output as domestic opinion, and hone their aim before the next round.

The same AI-enabled tools reached beyond the electorate. As President Lai issued the warning, the *Financial Times* reported hackers had used multiple open-source AI agents to map 21 Taiwanese government systems, identify vulnerabilities, and adjust their tactics when blocked. Over four days, the operation compromised at least 85 accounts, extracted more than 2,500 personnel records, and expanded into Taiwan's Nuclear Safety Commission and at least seven energy companies. Taiwan's Ministry of Digital Affairs confirmed the next day that government agencies had faced

an overseas cyberattack combining manual operations with AI-agent assistance. Although the Ministry did not attribute the attack to a specific country, researchers noted the attackers' internal communications used simplified Chinese.

Not every operation used code. Former TPP legislator nominee Xu Chunying worked through people instead. The New Taipei District Court [sentenced](#) her to a combined seven years in prison on August 11. Xu organized a campaign support network in 2022 on instructions from her handlers: Yang Wentao, who runs the Chinese Ministry of Civil Affairs' cross-strait marriage service center, and a deputy at a Shanghai-based CCP-aligned political organization. She then cultivated a relationship with Ko Wen-je ahead of his 2024 presidential run and kept her minders updated on Taiwan's political developments. The court also found she helped Chinese nationals enter Taiwan under false pretenses and moved NT\$24.5 million (\$760,000) through illegal channels. The prosecution argued that local officials accepting foreign-funded trips in exchange for backing certain candidates violated the Anti-Infiltration Act. KMT disciplinary committee chair Chang Ya-ping [dismissed](#) their contention as "intimidation under the guise of public education." But the Supreme Prosecutors Office backed the prosecution's position as having a clear legal basis.

Xu acted on Beijing's instructions covertly. Two weeks after her conviction, a KMT delegation carried the same message openly, traveling to Shanghai for the CCP-hosted Cross-Strait Youth Exchange Season. Taiwan Affairs Office Director Song Tao [described](#) the event on August 25 as a step toward an institutionalized, two-way exchange platform between the CCP and the KMT, urging participants to oppose "Taiwan independence" and contribute to China's "national reunification." KMT Vice Chairman Chang Jung-kung went further, telling the delegation that people on both sides of the Strait "belong to one China and share a common Chinese cultural heritage," and that cross-strait relations aren't state-to-state. Mainland Affairs Council Deputy Minister Liang Wen-chieh [called](#) the remarks virtually indistinguishable from the CCP's own.

Political access wasn't all Beijing sought to purchase. Debt opened other doors. So did corporate camouflage.

Espionage Exposed

On August 14, the Taipei District Prosecutors Office [indicted](#) three additional suspects in an espionage case involving former television producer Lee

Neng-chien. Investigators found one operation had filtered 3,674 records belonging to intelligence, defense, and government personnel for possible transfer to Chinese intelligence. A second extracted service members' names, national ID numbers, and phone numbers from private loan records. Five days later, the Taiwan High Court's Kaohsiung Branch sentenced an Army sergeant surnamed Fang to a combined 10 years and 6 months on bribery, National Security Act, and forgery charges, and an Air Force sergeant surnamed Huang to seven years for accepting bribes. Both had assisted the "Wolong Society," a united front organization the court found was established by a PRC intelligence agency. They had debts, took financial assistance, and recorded videos pledging membership in the Wolong Society. Fang went a step beyond Huang and tried to recruit a fellow service member. Huang alone received more than NT\$467,000 (about \$14,000) for the military information he handed over.

Beijing was after Taiwan's technology, too. Taiwan's Ministry of Justice announced on August 5 that it was probing 17 Chinese companies suspected of illegally recruiting Taiwanese talent in semiconductors, integrated-circuit design, displays, batteries, and composite materials. The companies allegedly hid their Chinese ownership behind sham Taiwanese or foreign-invested entities and unauthorized offices. Investigators searched 64 of those offices, questioning 114 people. One company, Zhuhai-based battery maker CosMX, kept recruiting Taiwanese engineers even after the Ministry of Economic Affairs revoked its permit to operate in Taiwan.

The Keelung District Prosecutors Office uncovered a separate scheme aimed at Taiwan's advanced computing hardware. A ring of brokers diverted AI servers equipped with NVIDIA B300 chips to Chinese buyers through falsified documents, third-country transshipments, and a fictitious data-center arrangement, generating more than \$21.2 million in illicit proceeds.

August's Throughline? Beijing tried to buy its way into Taiwan's defenses. Lawmakers who blocked a budget the PLA feared now own that vote. A collaborator and a KMT delegation carried Beijing's message and got named for it. Indebted service members handed over access and went to prison for it. In August, **Taiwan exposed those doing the CCP's work—and made them answer for it.**

In collaboration with the DPP China Affairs Department, the latest DPP U.S. Mission report provides key updates on the evolving cross-strait situation, detailing the escalation of China's military intimidation, gray zone activities, cognitive warfare, and United Front infiltration targeting Taiwan. Enclosed are the recent developments, offering a comprehensive overview of the current threat landscape, Taiwan's countermeasures, and emerging public opinion trends shaping the strategic environment.

This information is being distributed by the Taiwan Democratic Progressive Party Mission in the US on behalf of the Democratic Progressive Party of Taiwan. Additional information is on file with the Department of Justice, Washington, District of Columbia.

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