



**TAIWAN: ELECTIONS AT HOME, ECONOMIC RELATIONS WITH
THE MAINLAND AND U.S.-CHINA-TAIWAN RELATIONS—
AN FPRI SYMPOSIUM REPORT**

By Jacques deLisle

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What do Taiwan's November 2010 elections for the mayors of five major municipalities and the signing of a major economic accord with mainland China in June 2010 mean for Taiwan's political future, including the 2012 presidential contest, and relations among Taiwan, the People's Republic of China and the United States? The Foreign Policy Research Institute convened a panel discussion on these issues on December 8, 2010. Participants included: So-Heng Chang (visiting scholar at FPRI and the University of Pennsylvania and associate research fellow at the Cross-Strait Interflow Prospect Foundation), Terry Cooke (FPRI Senior Fellow, Public Policy Scholar at the Woodrow Wilson International Center and Founder of GC3 Strategy), Jacques deLisle (director of the Asia Program at FPRI and professor of law and political science at the University of Pennsylvania), Vincent Wei-cheng Wang (professor and chair of the department of political science at Richmond University) and Wenfeng Wang (Washington representative of the China Institutes of Contemporary International Relations and visiting scholar at American University).

TAIWAN'S NOVEMBER 2010 ELECTIONS: FEW SURPRISES AND LIMITED LESSONS

In many respects, the outcome of the "five capitals" mayoral elections was unsurprising. President Ma Ying-jeou's ruling Kuomintang won three of the contests and the rival Democratic Progressive Party won two. Democratic Progressive Party (DPP) victories in three or more contests or *Kuomintang of China* (KMT) wins in four or five would have been a striking setback for the party suffering unexpected losses. The three-to-two split tracked familiar regional divides, with big DPP wins in the pair of contests in the south (Kaohsiung and Tainan), comfortable KMT margins in the north (Taipei and Xinbei) and a narrow victory for the KMT candidate in the mid-island race (Taichung). As expected, the vote share of KMT candidates slid considerably from the landslide 58 percent to 41 percent triumph that President Ma and Vice President Vincent Siew (Siew Wan-chang) scored over DPP rivals Frank Hsieh (Hsieh Chang-ting) and Su Tseng-chang in the 2008 presidential balloting.

Beyond these expected developments, the elections held a few surprises. Polling proved disconcertingly unreliable, especially in missing the narrowness (by a mere 32,000 votes) of the victory for KMT candidate Jason Hu (Hu Chih-chiang) in Taichung. An election-eve shooting at a campaign rally, of the son of former vice president, former KMT presidential candidate and honorary KMT chairman Lien Chan, recalled the shooting of President Chen Shui-bian and Vice President Annette Lu (Lu Hsiu-lien) the day before the 2004 presidential vote, which many credit with giving Chen his hotly disputed and razor-thin margin of victory in his reelection bid. Although the Lien shooting may not have been politically motivated and had only a questionable impact on election results, it raises anew the specter that violence can mar and affect the outcome of Taiwan's democratic processes. The most significant departure from expectations was the total vote share of the KMT and DPP. Although they lost three of the five contests, DPP candidates garnered a solid plurality of the votes cast (just shy of 50 percent to the KMT's 44.5 percent) and 400,000 more votes than the KMT—a remarkable recovery from the routing the party's candidates endured in the presidential election two and a half years earlier. Indeed, some commentators described the outcome as a "catastrophic victory" for the KMT.

IMPLICATIONS FOR THE 2012 PRESIDENTIAL CONTEST IN TAIWAN

The results of the five November 2010 mayoral elections offer several clues but few clear lessons about the near-term prospects for Taiwanese politics (including, most pressingly, Ma's 2012 reelection bid) and Taiwan's external relations (including, most

importantly, cross-Strait relations). In terms of domestic politics, the election reaffirmed that Taiwan has a deeply and regionally divided electorate. The DPP-centered “green” camp remains dominant in the south and reliably captures close to 40 percent of the vote nationally. The KMT-centered “blue” camp has its strongholds in the north and can count on a similar or larger share of the national vote. Elections are won and lost in battles over a swing group of about one-fifth of the electorate, the relative success of each side’s get-out-the-vote efforts, and the strength (and number) of candidates for any particular office. While the likely standard bearers for the two major parties are known and a three-way race is unlikely in the 2012 presidential contest, the other crucial factors are hard to predict nearly a year and a half out.

A second—and the clearest—domestic political meaning of the 2010 vote is that the DPP has recovered markedly from the nadir it reached with the KMT’s rout in the 2008 presidential contest and the protracted prosecution for corruption of Chen Shui-bian (who led Taiwan from 2000 to 2008 as the republic’s first president from the DPP) and members of his personal and political inner circle. So-Heng Chang attributed much of the credit for this recovery, and improved DPP prospects in 2012, to the leadership of DPP chairperson Tsai Ing-wen. While initially seen as an uninspiring electoral politician and although she lost her bid in the Xinbei constituency in the November elections, Tsai has shown skill and resilience in leading the party out of the shadow of the Chen scandals. Fending off calls for her to follow the party custom of resigning as chair to accept responsibility for electoral defeats and criticism from the DPP’s and the green camp’s most activist base, Tsai has emerged as the leading contender for the DPP’s presidential nomination for 2012, with polls showing her well ahead of Su Tseng-chang, the leading still-active figure among the DPP’s older generation, the losing vice presidential candidate in 2008 and the losing candidate for Taipei mayor in November 2010. Su remains a formidable figure and might emerge as Tsai’s running mate for 2012. As Jacques deLisle and other panelists pointed out, however, the DPP still faces risks of internal division and conflict that could weaken the party’s chances in 2012, especially over issues of Taiwan’s international status and external relations that did not figure prominently in the 2010 campaigns but that have often been issues in presidential contests.

A reinvigorated DPP is one part of a challenging environment that Ma and the KMT face as the 2012 presidential election draws near. Other elements include the prospect that Ma will need to find a new running mate because of Vice President Siew’s health problems. Premier Wu Den-yih is the leading contender if Siew steps down. Ma and the KMT also face an electorate that opinion polls and 2010 election vote shares suggest is not content with the Ma administration’s rule for reasons that include dissatisfaction with the pace of economic recovery, the degree to which the benefits of recent growth have not been widely shared, and concerns about the economic and political implications and rapid pace of development of cross-Strait ties since Ma took office.

ELECTIONS IN TAIWAN AND CROSS-STRAIT RELATIONS

The landmark Economic Cooperation Framework Agreement (ECFA)—a free trade area-like pact with the mainland—and cross-Strait relations more generally did not figure prominently in the 2010 elections, which were fought largely on economic issues and other policy issues affecting Taiwan residents’ ordinary, daily lives. As Wenfeng Wang noted, cross-Strait and ECFA were likely losing issues for DPP candidates, especially in the northern Taipei and Xinbei constituencies where DPP leaders Su and Tsai ran. Politically, the ECFA-skeptic position Tsai had pressed (most memorably in the April 2010 televised debate with Ma) had lost ground and public opinion in Taiwan generally backed ECFA. On the other hand, KMT candidates were sensibly wary of touting ECFA because they did not want to appear to be too “pro-China” (a concern reflected in Ma’s taking relatively tough stances on cross-Strait issues in the run-up to the November vote) and because the promised economic benefits of the still-recently-signed and not-yet-implemented ECFA had yet to arrive.

Several panelists agreed that the DPP was likely to take a moderate line on ECFA and cross-Strait relations in the 2012 election. Many of the considerations that made attacking ECFA a poor strategy for the DPP in late 2010 are likely to persist into the 2012 presidential campaign. Moreover, DPP leader Tsai appears strongly committed to a moderate policy on cross-Strait issues that may not differ greatly in concrete content from that which Ma has pursued. Wenfeng Wang noted Tsai’s openness to exchanges with Beijing on a “no preconditions” basis and the taming of the once-incendiary pro-independence language in the DPP’s ten-year political platform. Chang noted the steps Tsai has been taking are consistent with a moderated DPP cross-Strait policy, including establishment of party-linked think tanks to develop policies that break from traditional DPP positions in favor of ones more open to increasing cooperation and reducing tensions across the Strait. Ma’s and the KMT’s position on ECFA and cross-Strait policy is likely to remain stable as Ma’s reelection efforts gear up. This is the case because the administration’s policies on those issues have remained relatively popular, the president and his party regard those policies as generally successful, and Ma and his advisors are aware that moving rapidly beyond accomplishments in the economic aspects of cross-Strait relations to begin dialogue on political issues or discussions of a cross-Strait peace accord or pursuit of major confidence building measures would prove difficult to achieve on acceptable terms with Beijing and politically controversial in Taiwan.

The DPP’s apparent resurgence and turn to a moderate line on cross-Strait issues, as well as the uncertain prospects for Ma’s reelection, pose difficult questions for Beijing. Beijing has been relatively satisfied with Ma’s actions and prefers his reelection to the uncertainty and possibly greater intractability of a DPP successor. Although domestic political pressures or his own policy preferences have at times led Ma to take a relatively tough line that has irritated Beijing, China still favors Ma’s

continuation in office. Chang argued that Beijing sees Ma's agenda as compatible with the generally pragmatic and patient approach to Taiwan policy of Hu Jintao (and likely of his designated successor Xi Jinping)—an approach that seeks gradually to build cross-Strait ties and to minimize risks that Taiwan will pursue independence. Accordingly, Beijing is likely to confer a few benefits to Taiwan on economic or status issues for which Ma can claim credit. Recognizing the success of Ma's "economics first, politics later" approach to cross-Strait relations, Beijing is likely to wait until after the election before pushing for progress on political issues.

Wang argued that Beijing has become less uncomfortable with the prospect of a DPP victory. Beijing understands that the KMT will lose some elections and that the prospects of a DPP win in 2012 have grown. But a possible DPP win has become less alarming for several reasons: Tsai's DPP is striking a more moderate and accommodating tone on mainland policy (including greater interest in direct engagement and an expressed preference for a stable framework for cross-Strait relations); opinion polls in Taiwan that show an overwhelming majority favoring the cross-Strait status quo; and policy positions and electoral calculations by both of Taiwan's major parties that suggest little desire to roil the waters of cross-Strait relations.

Still, the 2012 presidential election in Taiwan poses tactical dilemmas and raises deeper, more strategic concerns for Beijing. At the tactical level, seeking to help Ma's chances is no easy task. As deLisle noted, Beijing has made much progress in understanding how to advance its preferences in Taiwan's presidential elections, moving from the bellicose actions that helped secure the victory of Beijing's nemesis Lee Teng-hui in Taiwan's first direct presidential election in 1996, to stern and futile (and perhaps self-defeating) warnings to Taiwan voters not to support the "pro-independence" DPP's Chen Shui-bian in 2000, to more muted but still problematically blunt and overreaching signals that Beijing was prepared to engage with Chen's opponents but not Chen in 2004, to a more subtle and balanced approach that conveyed a preference for the ultimately victorious Ma but more openness to dealing with his opponent Hsieh, if the latter were to win in 2008. For 2012, Beijing appears poised to reprise the tactics of 2008, rather than to revert to those of earlier periods. Nonetheless, the details remain vexing. Giving Ma too much risks making him more recalcitrant in post-election cross-Strait negotiations, or, worse, Chinese generosity might backfire and harm his chances by feeding the narrative from his domestic critics that he is too "pro-China" or will proceed too rapidly toward integration with the mainland. In the far-from-inconceivable event of a DPP win, whatever Beijing were to "give" Taiwan to boost Ma's chances could strengthen the hand of a potentially intractable new administration that would take advantage of whatever concessions Beijing had made.

As this suggests and despite Beijing's lessened antipathy toward the DPP, Beijing remains wary of a DPP victory and the reemergence of cross-Strait issues as a major and divisive factor in Taiwan politics. As deLisle noted, the KMT's troubles in the 2010 election, the uncertainties about intra-DPP politics in the run-up to 2012, and the fact that presidential elections in Taiwan are more likely than local elections to raise cross-Strait and Taiwan status debates all are warning signs that Beijing cannot count on continued low salience of such issues during the 2012 election season. This will be especially true beyond the election when Ma or his successor will engage Beijing over the next steps in cross-Strait relations. Wang argued that Beijing remains wary of the impact of Taiwan domestic politics on cross-Strait ties for several reasons: cross-Strait policy and Taiwan status issues are still potentially the most volatile factor in Taiwan's often-polarized domestic politics; despite the recent thaw, suspicions between the DPP and the mainland continue to be high and ties weak, not least because of Beijing's concern about the long-standing, unrepudiated DPP view that Taiwan is or should be an independent country; and even as cross-Strait economic ties have grown and support for formal independence has waned, "Chinese identity" among Taiwanese has continued to weaken, negative attitudes toward the PRC government have been high and popular support for deeper political ties with the mainland have remained weak.

ECFA: ECONOMIC SIGNIFICANCE AND POLITICAL IMPLICATIONS

Although ECFA was not a major issue in the 2010 elections and may not emerge as a focus in the 2012 presidential race, the June 29, 2010 accord is a major development in cross-Strait relations—economically and potentially politically. As a free trade area-like agreement between the mainland and Taiwan and as the most significant among more than a dozen cross-Strait deals struck on economic issues since Ma came to office, ECFA promises to advance deepening cross-Strait economic integration.

Terry Cooke argued that ECFA is a natural and sensible development that fills important formal gaps in long-developing cross-Strait economic relations. That relationship had developed primarily on the basis of investment on the mainland by Taiwanese firms, particularly the smaller, privately owned companies in light industries that did not face the restrictions that Taiwan government authorities imposed on larger, state-owned and state-linked enterprises that dominated Taiwan's heavier industries. As economic reforms proceeded in Taiwan and restrictions on cross-Strait investment waned, the investment-led cross-Strait economic integration proceeded, with many Taiwanese firms in a wide range of sectors (including information technology and other high tech fields) setting up shop across the Strait. ECFA is a step toward filling in some of the missing pieces, adding a more robust trade component to the formal cross-Strait economic relationship and extending the gains of cross-Strait economic liberalization more fully to some of the industries that had been left out of the initial waves of cross-Strait investment-led growth.

Vincent Wang added that ECFA is in some respects an unremarkable and economically sensible step for Taiwan. ECFA falls

generally within the scope of the type of arrangements reducing bilateral tariff and investment barriers and opening financial markets and services that have been allowed under the World Trade Organization regime. Although not without risk, the arrangement with the mainland generally makes sense for Taiwan. It opens opportunities for Taiwan with a major economic partner. The initial economic benefits flow primarily to Taiwan, not the mainland. Moreover, entering into ECFA holds forth the prospect that Beijing will stop standing in the way of Taiwan's entering into free trade agreements and similar arrangement with other important economic partners, thereby reducing Taiwan's relative economic isolation. As Wang pointed out, Taiwan is a party to only four FTAs in a region where there are more than two hundred such agreements. As Cooke noted, political impediments—including especially Beijing's opposition to Taiwan's participation in international agreements—have stood in the way of East Asian regional economic integration reaching the high levels achieved in Europe.

Wang argued that if ECFA means Beijing will drop its opposition to FTAs and similar arrangements between Taiwan and other states, the economic benefits for Taiwan could be especially large because: several countries that have large trade relationships with Taiwan are potentially FTA partners; with ECFA in place, Taiwan becomes a more promising intermediary for economic relations between China and other countries that enter into economic pacts with Taiwan; its long-term Beijing-imposed exclusion, Taiwan is not enmeshed in a "spaghetti bowl" of bilateral and regional trade arrangements that often impede the forging of new bilateral or regional arrangements. In addition, the dim near-term prospects for universal multilateral trade deals under the WTO make bilateral and limited multilateral agreements the most promising route to trade liberalization and the benefits it can bring. Wang added that even bilateral agreements often will be hard to reach, however, with the key Taiwan partners such as the United States and Japan being unlikely to enter into significant FTA-like agreements with Taiwan, or others, in the near term. Taiwan could still reap some of the economic gains through unilateral liberalization, and Taiwan can pursue that course without Beijing's approval.

Whatever its longer-term economic significance may be, ECFA is still only a preliminary and relatively skeletal agreement. Many of the details remain to be worked out, including key measures concerning investment rules and dispute resolution. Supplementary concrete agreements and an ECFA Committee to address many of the specific issues still lie ahead. Even on core issues of trade, the "early harvest" provisions cover only about 16 percent of direct cross-Strait trade (and well under half of bilateral trade if the portion that includes trade via Hong Kong is included).

The bigger questions looming over ECFA, however, are about its political significance. On these issues, panelists addressed a wide range of possibilities. ECFA might enhance Taiwan's state-like stature and, in turn, security by heralding Beijing's acceptance of a more expansive role in international relations for Taiwan and opening the door wider to formal, treaty-like economic agreements for Taiwan with a number of states. If those agreements include the long-stalled Trade and Investment Framework Agreement (TIFA)—or, less likely, an FTA—with the United States, it could significantly reinforce ties with Taiwan's most important security partner. For Beijing, ECFA's institutionalization and promotion of cross-Strait economic integration holds out the promise of further weakening support in Taiwan for pursuing formal independence or other moves that would harm increasingly economically valuable cross-Strait relations. ECFA-enhanced economic integration also offers Beijing the prospect of advancing its long-term agenda of peaceful reunification, with ECFA thus marking a significant milestone for Beijing's progress along the road from economic toward political integration across the Strait.

As several of the panelists stressed, however, movement along that path is far from certain or irreversible. Worries that China intends to use its growing economic leverage to political ends are widespread and politically potent in Taiwan and could provoke a backlash against warming cross-Strait ties, including ECFA and the greater economic dependence and vulnerability it creates for Taiwan. The Ma-era approach to cross-Strait policy of "first economics, then politics; first easy, then difficult" might become a victim of its own success. Once the relatively easy and economic issues are addressed (with ECFA and other measures), talks will have to turn to the more difficult and political issues where the process is far trickier and the prospects for progress much dimmer. Although some loose definition of "one China" may prove acceptable on both sides of the Strait and something akin to "mutual non-denial" has worked for both Beijing and Taipei in recent years, there is little hope for near-term consensus on a relatively concrete framework for political accommodation—some alternative to the "One Country, Two Systems," Hong Kong-like model that Beijing once proffered. Moreover, the rapid recent development and institutionalization of stronger cross-Strait ties may have unduly raised expectations of further advancement, especially in Beijing. Excessive optimism brings greater risks of disappointment, frustration and renewed tension.

TAIWAN-U.S.-CHINA RELATIONS

ECFA's implications for Taiwan's international stature and security are ambiguous, on one hand, giving Taiwan greater space to enter into economically beneficial treaty-like agreements with states but, on the other hand, potentially giving Beijing greater leverage over Taipei and bringing nearer the day when Beijing may press for discussions on political issues and sovereignty. Taiwan's reaping of ECFA's positive contributions are part of a broader quest for status and security in Taiwan's external relations. That quest and its prospects are deeply entangled with U.S.-China and U.S.-Taiwan relations.

Ma Ying-jeou hopes to attend the upcoming Asia-Pacific Cooperation (APEC) meeting in Hawaii. Dependent on U.S. support and Chinese acquiescence, the opportunity for the Republic of China president to be Taiwan's representative at the summit

and perhaps to have a sideline meeting with PRC President Hu Jintao or U.S. President Barack Obama would be a significant diplomatic breakthrough that would enhance Taiwan's international standing (and likely Ma's domestic political fortunes). Ma's diplomatic agenda also includes building and maintaining good relations with Japan. Aside from the United States, Japan has been Taiwan's most significant source of support on security issues. Good relations have solid foundations in a relatively positive view of Japanese colonial rule on the island, the ties nurtured by former Taiwanese president Lee Teng-hui, shared growing wariness of the security threat posed by China's rise and regional ambitions, and extensive and generally positive bilateral economic ties. Taiwan's relations with Japan remain complicated and constrained, however, by the importance to Tokyo of good Sino-Japanese relations and Taiwan's return under Ma to a more assertive stance on sovereignty over the disputed Diaoyu / Senkaku Islands.

Potentially the most volatile issue on Taiwan's agenda for security and status is the next round of U.S. arms sales to Taiwan. Taiwan has been seeking F-16 CD fighter aircraft from the United States, and Beijing has opposed the sale with greater vehemence than it does U.S. arms sales to Taiwan generally. Beijing has sought to deter such a sale with: warnings that it would significantly damage U.S.-China relations; calls on Washington to be especially careful in making such sales on the eve, or in the aftermath, of what have become very densely packed visits by high level American or Chinese officials to one another's capitals; and suggestions that China may reduce the number of missiles targeting Taiwan if the United States reduces arms sales. Beijing reacted very and unexpectedly (as some panelists saw it) harshly to the first round of arms sales to Taiwan under Obama. How strongly Beijing would react to F-16 CD sales is uncertain. Relative hardliners in the Chinese military may have a strong voice or the decision on how to respond may be more closely held by more moderate top-level leaders. Beijing faces a hard choice between maintaining the credibility of its prior positions and communicating its genuinely strong opposition to arms sales, on one hand, and avoiding a renewed deterioration in U.S.-China relations on the other. Some PRC assessments appear to counsel a degree of moderation and criticize the strident Chinese reaction to the first Obama sales as counterproductive.

Beijing's expected reaction is only one among several factors that shape U.S. arms sales decisions and broader security policy toward Taiwan and, in turn, help or hurt Taiwan's international standing and security. The Taiwan Relations Act and related foundational texts frame U.S. arms sales decisions with their commitments to sell Taiwan arms of a defensive character and to prevent a coerced change in the cross-Strait status quo and, at the same time, their extremely flexible, interpretable standards that can support positive or negative responses to a wide range of weapons sales requests. The general condition of U.S.-Taiwan relations matters as well. On this front, developments under Ma have been overwhelmingly positive. Long gone are the later years of the Chen Shui-bian administration when Taipei was seen as a principal source of very troubled cross-Strait relations and when Beijing and Washington were largely in agreement that Chen's stability-threatening and status quo-challenging gambits needed to be deterred. In an arguably unprecedented pattern, cross-Strait relations during the Ma years have become a relative bright spot in China's external relations and in U.S.-China relations.

The overall state of U.S.-China relations—especially security relations—is also highly significant. Although bilateral relations remain broadly positive and resilient, they have recently hit a rough patch and there is a growing sense that the U.S. and China have fundamental disagreements about the desirable shape of a future regional and international order. Indeed, one of the most striking and inadequately explained developments in international relations in the very recent period has been China's abandonment of a "soft power"-cultivating or "charm offensive" strategy in favor of a more assertive and in some respects openly anti-status quo agenda that has pushed many states in China's neighborhood and beyond toward a hedging strategy of strengthening security cooperation with Washington.

Although these developments may reduce the likelihood that U.S. policymakers will sacrifice Taiwan's interests in a headlong pursuit of positive relations with Beijing, the situation is not unmitigatedly positive for Taiwan. Although Beijing's return to ham-fistedness may open opportunities for Taiwan to expand its international space, such efforts come with risks. Taiwan may face what deLisle described as a "status/security dilemma": What Taipei sees and portrays as innocent and defensive efforts to buy arms from the United States, under the diplomatic relations-like and security treaty-like provisions of the Taiwan Relations Act, or to gain meaningful participation in specialized organs affiliated with the states-member-only United Nations may be read by a suspicious Beijing as offensive moves (in both senses of the phrase) that seek unacceptably state-like status for Taiwan and require a potent rebuke.

Beijing's more openly assertive stance in foreign affairs reflects a changing assessment of the alignment of power in East Asia that does not favor Taiwan. Military modernization in the PRC has raised the prospective costs to the United States of intervention in or near the Taiwan Strait and correspondingly reduced the U.S.'s ability to defeat PRC forces quickly and decisively in a regional conflict. More broadly, stable and positive relations among Beijing, Taipei and Washington are generally good for Taiwan. With crisis and conflict on any leg of the triangle come uncertainty and danger.

Finally, Taiwan's international standing and security depend greatly on its economic health and its importance as an economic partner to the United States and other states. Here, the United States could do much, Cooke argued, for Taiwan and for its own economic interests by responding to ECFA and deepening cross-Strait economic ties with a more coherent, proactive and liberal set of economic policies toward Taiwan and East Asia. This could include making progress on TIFA, moving beyond

petty disputes over U.S. beef exports and focusing on cooperation in key areas such as intellectual property rights and promising sectors such as clean energy and green technology.

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