

## Taiwan in 2017

### *The End of the Honeymoon?*

#### ABSTRACT

President Tsai Ing-wen has been plagued by controversial domestic issues, and her popularity has fallen significantly. While economic growth in Taiwan has increased, inequality and deteriorating cross-strait relations have been hard on the ruling party. Tsai needs to work with the new premier, William Ching-te Lai, to regain people's trust for the local elections in 2018.

**KEYWORDS:** Taiwan, DPP, cross-strait relations, Labor Standards Act amendment, China

#### INTRODUCTION

It has been just a year and a half since President Tsai Ing-wen's inauguration, but Taiwan has gone through a very dramatic shift, with several significant changes. Tsai has prioritized domestic issues over cross-strait relations. Although her administration garnered considerable attention and achievements at the outset, increasingly it has faced numerous setbacks. Tsai's approval rating dropped from 69.9% in May 2017 to 41.4% in November, while disapproval rose from 8.8% to 42.6%.<sup>1</sup>

Appointing a new premier failed to boost Tsai's popularity, and many difficulties remain unsolved. With local elections coming at the end of 2018, both the ruling party and opposition parties have initiated the nomination process. Tsai seeks to warm Taiwan's frozen ties with China, but has taken no significant steps, and China has reiterated that recognition of the "1992

---

CHUNG-MIN TSAI is an Associate Professor in the Department of Political Science at National Chengchi University, Taipei, Taiwan. Email: cmtsai@nccu.edu.tw

---

1. Taiwanese Public Opinion Foundation, <<https://www.tpof.org/>>.

Consensus”<sup>2</sup> is the only way to resume communications. With cross-Strait relations deteriorating, Taiwan’s international space has been continuously squeezed by China’s rising influence and diplomatic maneuvering. Taiwan’s economic growth has substantially improved, but inequality has worsened. Since both countries target Southeast Asia, competition between Taiwan’s New Southbound Policy and China’s One Belt One Road initiative is inevitable, and the Taiwanese government needs to be prepared. Regaining people’s trust while continuing the reform will be the main task for Tsai in the year ahead.

## DOMESTIC POLITICS

The Tsai administration has been criticized for its attempt to push many reform agendas simultaneously, and for making hairpin turns on policy. Former Premier Lin Chuan successfully introduced several reform schemes, such as pensions, public long-term care services, amendment of the Electricity Act, a minimum wage, drug abuse prevention, air pollution reduction, and industrial and infrastructure development. But these achievements failed to be appreciated by the general public, and Tsai’s approval rating kept plummeting. In September 2017, having served for 15 months, Lin resigned. It was always said that he was appointed as a transitional figure, given his limited political contacts. It is believed that his resignation will pave the way for the president to reorganize her team and resources to embark on the next stage of her mission, which is believed to center on her party’s winning the local elections in 2018 and the next presidential campaign in 2020.<sup>3</sup>

Lin’s replacement as premier was the former mayor of Tainan City, William Ching-te Lai, one of Taiwan’s most popular politicians and a rising star touted to be the future presidential candidate of Tsai’s Democratic Progressive Party (DPP). Several issues challenged him, including revising the Labor Standards Act again, promulgating the amendment of the Environmental Impact Assessment Act, stabilizing the island’s electricity supply, and improving the investment environment by clearing major hurdles for manufacturers. Among these

2. A political term coined by a secretary-general of the National Security Council in the Ma administration, referring to the outcome of a meeting in Hong Kong between the head of the China-based Association for Relations Across the Taiwan Straits and the chairman of the Taiwan-based Straits Exchange Foundation in 1992.

3. Faith Huang, “Taiwan Premier Resigns to Help Shore Up President’s Falling Popularity,” Reuters, September 4, 2017, <<https://www.reuters.com/article/us-taiwan-premier/taiwan-premier-resigns-to-help-shore-up-presidents-falling-popularity-idUSKCN1rBFoG9>>.

issues, the latest Labor Standards Act amendment was the most controversial. The measure, focusing on moving toward an islandwide five-day work week through *yili yixiu*, (“one fixed day off and one flexible rest day”) was put into effect in January, but both employers and employees have expressed dissatisfaction with the rigidity of the new labor regulations.<sup>4</sup> Moreover, much of Taiwan already adheres to a five-day work week, and it has been estimated that only about 40% of the business sector would be affected by *yili yixiu*. In addition, Lai’s controversial comments on caregivers’ pay and a scandal involving minesweepers for the navy depressed Lai’s approval rating, while Tsai’s popularity was even worse, as of November.<sup>5</sup>

The major opposition party, the Chinese Nationalist Party (Kuo ming tang, KMT), elected former Vice President Wu Den-yih its new chairman in May. Wu pledged to bring the century-old party back to power and reaffirmed that cross-Straits relations should be based on the 1992 Consensus. “We have to be united in this difficult time,” he said in his acceptance speech. “There won’t be any chance for us if we are not united.”<sup>6</sup> The ongoing nomination process for next year’s local elections is an opportunity to demonstrate to what extent Wu can consolidate the party and supporters.

Another opposition party, the New Power Party, born in the wake of the Sunflower Movement in 2014, has tried to distinguish itself from the DPP. Its legislators have performed actively in the parliament, known as the Legislative Yuan (Lifa Yuan), especially chairman Huang Kuo-chang and convener Hsu Yung-ming. Since the New Power Party has only five legislative seats, the immediate challenge is to save Huang from a recall election on December 16.<sup>7</sup>

4. Amcham Taipei, “The Labor Law and the Need for Public Comment,” Taiwan Business Topics, November 15, 2017, <<https://topics.amcham.com.tw/2017/11/labor-law-need-public-comment/>>.

5. Lai encouraged the caregivers to serve as an act of charity and not weight the salary too much. He also suggested dissolving the contract with a local shipbuilder to build six minesweepers for the navy, which involved a fraudulent bank loan of US\$ 680 million. “Tsai’s and Lai’s Popularity Dropped after the Case of Minesweepers Was Disclosed,” TVBS News, November 20, 2017, <<https://news.tvbs.com.tw/politics/819306>>; Zijia Wu, “Formosa Poll Survey: Both Tsai Ing-wen’s and Lai Ching-te’s Popularity Greatly Plummeted in November,” *Formosa*, December 1, 2017, <[http://www.my-formosa.com/DOC\\_127576.htm](http://www.my-formosa.com/DOC_127576.htm)>.

6. Adela Lin, “Taiwan’s Opposition Kuomintang Elects Wu Den-yih as Chairman,” May 20, 2017, *Bloomberg*, <<https://www.bloomberg.com/news/articles/2017-05-20/taiwan-s-opposition-kuomintang-elects-wu-den-yih-as-chairman-j2xfwkd>>.

7. Cheng Hung-ta, Sean Lin, and William Hetherington, “Recall Election Set for NPP Executive Chairman Huang,” *Taipei Times*, November 1, 2017, <<http://www.taipeitimes.com/News/taiwan/archives/2017/11/01/2003681433>>.

The New Power Party also has to win more seats in the local elections in 2018 to survive in the political arena.

## CROSS-STRAIT RELATIONS AND INTERNATIONAL RELATIONS

Because Tsai has declined to recognize the 1992 Consensus since she took power, cross-strait relations have been deteriorating, and the tensions between Taiwan and China have been growing. China has gradually suspended all official communication with Taiwan. Against this background, President Tsai has used public interviews and national addresses to deliver her message and clarify her position, respecting the historical fact of the 1992 meeting but not endorsing the 1992 Consensus. Although Tsai skipped the customary news conference to report her achievements on her first anniversary in May 2017, she proposed a “three-new” (new situation, new questionnaire, new pattern) thesis on cross-strait relations in a media interview.<sup>8</sup> In her National Day Address on October 10, Tsai said: “Our goodwill will not change, our commitments will not change, we will not revert to the old path of confrontation, and we will not bow to pressure. This has been my consistent position on cross-strait relations.”<sup>9</sup>

The spokesman for China’s Taiwan Affairs Office, Ma Xiaoguang, warned that “the peaceful development of cross-strait relations depends on the ‘One China’ principle and China firmly opposes Taiwan independence.” Notably, Ma made no reference to the 1992 Consensus.<sup>10</sup> Nonetheless, in China’s President Xi Jinping’s report to the 19th Party Congress in November, the principle was reiterated:

We must uphold the one-China principle and the 1992 Consensus, promote the peaceful development of cross-Straits relations, deepen economic cooperation and cultural exchange between the two sides of the Straits, and encourage fellow Chinese on both sides to oppose all separatist activities and work together to realize Chinese national rejuvenation.”<sup>11</sup>

8. Jingyin Lin, “Tsai Ing-wen Proposed a Three-New Thesis on Cross-Straits Relations,” *United Daily News*, May 3, 2017, <<https://udn.com/news/story/6656/2439538>>.

9. Office of the President, Republic of Taiwan (China), “President Tsai Delivers 2017 National Day Address,” October 10, 2017, <<http://english.president.gov.tw/NEWS/5231>>.

10. Jonathan Chin, “‘1992 Consensus’ May Have Lost Its Relevance,” *Taipei Times*, October 12, 2017, <<http://www.taipeitimes.com/News/taiwan/archives/2017/10/12/2003680189>>.

11. “Full Text of Xi Jinping’s Report at 19th CPC National Congress,” Xinhuanet, November 3, 2017, <[http://news.xinhuanet.com/english/special/2017-11/03/c\\_136725942.htm](http://news.xinhuanet.com/english/special/2017-11/03/c_136725942.htm)>.

The Chinese government has kept brandishing a stick to pressure the Taiwanese government to return to the 1992 consensus. But it has also proffered carrots, such as treating citizens the same as Chinese nationals (*zhun guomin daiyu*), and promising to share economic benefits with the Taiwanese people, especially the younger generation.<sup>12</sup>

In addition to the frozen official interaction, the case of Li Ming-che, the Taiwanese human rights advocate, has strained cross-Straits ties. Li has been detained by the Chinese government since March 2017 and was sentenced to five years in prison for subversion.<sup>13</sup> This case demonstrates the dangers for Taiwanese citizens in China, but it is not unique. In fact, Chinese authorities have convicted and incarcerated more than 50 Taiwanese nationals in the past two years.<sup>14</sup>

The deteriorating interaction between Taipei and Beijing also has a negative spillover effect on Taiwan's foreign relations. Two countries have switched diplomatic ties from Taiwan to China since Tsai took office in 2016, reducing to 20 the number of countries formally recognizing Taiwan. São Tomé and Príncipe cut ties with Taiwan in December 2016, and Panama severed its long-standing diplomatic ties with Taiwan and established formal relations with China in June 2017, just about a year after Tsai visited Panama City.<sup>15</sup> After having engaged in a diplomatic truce with China between 2008 and 2016, the Taiwanese government has reoriented its policy direction toward staying apart from China but faces a potential diplomatic disaster, such as losing diplomatic ties with more countries.<sup>16</sup>

Regarding Taiwan-US relations, although US President Donald Trump took a phone call from Tsai in December 2016 before his inauguration the

12. Nicola Smith, "Taiwan Is Suffering from a Massive Brain Drain and the Main Beneficiary is China," *Time*, August 21, 2017, <<http://time.com/4906162/taiwan-brain-drain-youth-china-jobs-economy/>>.

13. "Freedom of Expression Is Not a Crime! Free Li, Ming-Che Immediately! Joint Statement from Taiwan NGOs Alliance for Rescuing Mr. Li, Ming-Che," Covenants Watch, November 28, 2017, <<http://covenantwatch.org.tw/2017/11/28/joint-statement-on-li-ming-che-nov-28-eng/>>.

14. Miao Zhong-han and Evelyn Kao, "Government Vows to Help Free Taiwanese Detained in China," *Focus Taiwan*, August 30, 2017, <<http://focustaiwan.tw/news/acs/201708300015.aspx>>.

15. Ben Blanchard, "After Ditching Taiwan, China Says Panama Will Get the Help It Needs," Reuters, November 17, 2017, <<https://www.reuters.com/article/us-china-panama/after-ditching-taiwan-china-says-panama-will-get-the-help-it-needs-idUSKBN1DH1FZ>>.

16. Ralph Jennings, "After Panama, Who's Next to Cut Ties with Taiwan in Favor of China?" *Forbes*, June 13, 2017, <<https://www.forbes.com/sites/ralphjennings/2017/06/13/after-china-grabs-a-key-diplomatic-ally-to-spice-taiwan-heres-who-falls-next/#2402b72d45ee>>.

next month, there has been little progress in forging a bilateral relationship. In December 2017, Trump signed into law the National Defense Authorization Act for fiscal year 2018, which contains preferential provisions for Taiwan's defense and indicates an effort to normalize the arms sales process with Taiwan. China reacted with a hawkish tone, and the voices there in favor of unifying Taiwan by force have grown.<sup>17</sup>

## THE ECONOMY

Taiwan's economy performed quite well in 2017. Foreign exchange reserves had risen since March and reached a record high of US\$ 447.21 billion in October.<sup>18</sup> One caveat is that foreign portfolio investment was over US\$ 400 billion, or 90% of foreign reserves. This means that this foreign capital could leave Taiwan at any moment and greatly influence the local economy. And challenges remain, such as rising income inequality, stagnant wages, and industry offshoring. The overall unemployment rate is 3.75%, but among young people it is much higher.<sup>19</sup> The government has been committed to improving the investment environment, attracting more foreign investment in the industrial sector, reducing dependence on China, and enhancing cooperation with Southeast Asian countries.

Taiwan's economic situation improved in 2017, but predictions are perhaps too optimistic. The government projects GDP growth of 2.58% in 2017 and 2.29% in 2018, compared to 0.81% in 2015 and 1.41% in 2016.<sup>20</sup> As for its crucial economic strategy, the New Southbound Policy, the Taiwanese government reiterated that it is not a replacement for cross-strait relations between Taipei and Beijing and is not meant to compete with China's One Belt One Road initiative. Nonetheless, setting up a US\$ 3.5 billion fund to help infrastructure and major investment projects in Southeast Asian countries is

17. Jonathan Chin and Lu Yi-hsuan, "Taiwan Thanks US over Defense Act," *Taipei Times*, December 14, 2017, <<http://www.taipeitimes.com/News/front/archives/2017/12/14/2003683936>>; Ian Easton, *The Chinese Invasion Threat: Taiwan's Defense and American Strategy in Asia* (Washington, DC: Project 2049 Institute, 2017).

18. Mo-zo Li & William Yen, "Taiwan's Forex Reserves Continue to Hit New High," *China Post*, October 6, 2017, <<https://chinapost.nownews.com/20171006-157183>>.

19. In October 2017, the unemployment rate was 12.33% for people between 20 and 24 years old and 6.55% between 25 and 29, while it was only 1.7% between 55 and 59. National Statistics, R.O.C. (Taiwan), <<http://www.stat.gov.tw/ct.asp?xItem=42029&ctNode=2294&mp=4>>.

20. Ibid.

obviously designed to broaden Taiwan's presence there; the efforts will unavoidably encounter China's increasing influence in the region.<sup>21</sup>

## CONCLUSION

After their landslide victory in 2016, Tsai and the DPP administration rushed to simultaneously embrace a plethora of reform projects, without adequate forethought. This has trapped officials in a vicious cycle of reform attempts and controversy. Pension reform and the Labor Standards Act amendment are the two best examples of the endogenous inconsistencies of the reform proposals and problematic interactions between the government and society. Although the economy has greatly improved, most Taiwanese people still have relatively low incomes and are unhappy with the widening inequality. The Tsai administration is facing a tough job, made even harder by the deteriorating cross-strait relations. The local elections at the end of 2018 will be a midterm exam for the DPP. Tsai needs to re-consolidate her power base through the party nomination process and by improving government performance. The opposition parties will have to show they can highlight government failures and garner broader public support by election time.

21. S. C. Chang, "Taiwan to Set Up US\$ 3.5 Billion Fund for New Southbound Policy," *China Post*, October 12, 2017, <<https://chinapost.nownews.com/20171012-157872>>.