

Taiwan in 2019

US-China-Taiwan Relations and Domestic Dynamics

ABSTRACT

Externally, Taiwan in 2019 was strongly influenced by China's campaign for unification and the collateral impacts of the trade war between the US and China. The external factors further intertwined with domestic party politics ahead of the 2020 presidential and legislative elections.

KEYWORDS: Taiwan, US-China-Taiwan relations, 2020 elections, Tsai Ing-wen, third force

A SPECIAL YEAR FOR US-CHINA-TAIWAN relations, 2019 brought the 40th anniversary of China's "Message to Compatriots in Taiwan" and the Taiwan Relations Act with the US. It was also a year of heated economic quarrels between the US and China, with profound impacts on Taiwan. And it was a year that would significantly affect the results of the Taiwan presidential and legislative elections to come in early 2020.

NEW PAGES FOR US-CHINA-TAIWAN RELATIONS

The speech by Chinese President Xi Jinping on January 2, 2019, at the commemoration of the 40th anniversary of the "Message to Compatriots in Taiwan," was early spring thunder, shaking cross-Straits relations. It was a ceremonial announcement of Beijing's determination for unification and against the Taiwanese independence advocated by the Democratic Progressive Party

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(DPP) government.¹ However, Xi further articulated Beijing's perception of the 1992 Consensus under the "one China principle." This was a slap in the face to Taiwan's opposition Chinese Nationalist Party (Kuomintang, KMT), which characterizes the 1992 Consensus as "one China with different interpretations." It also strained the KMT's flexible interpretations of cross-Straits relations since the Ma Ying-jeou administration (2008–2016). Intentionally or not, Xi's announcement offered the DPP government a convenient justification to deny the existence of the 1992 Consensus, as President Tsai Ing-wen first did in her inauguration speech. The promotion of a Taiwanese version of "one country, two systems" in Xi's speech was tactically translated by the DPP into a synonym for the KMT's 1992 Consensus. Thus, the pro-unification KMT has been hurt by friendly fire from Beijing.

In late March, not long after Xi's speech, the mayor of Kaohsiung, Han Kuo-yu, visited Hong Kong and Macao, and the mainland cities of Shenzhen and Xiamen, further complicating the KMT stance. Han has enjoyed great popularity within the KMT since his stunning victory in the mayoral election in 2018. He is even regarded as the party's strongest candidate to compete against the incumbent Tsai in 2020. His meetings with the heads of the Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (Wang Zhimin) and the Macao Special Administrative Region (Fu Ziying), and the director of the Taiwan Affairs Office (Liu Jieyi), were interpreted as chiming in with Beijing's "one country, two systems" formula. The trip benefitted neither Han nor the KMT but created more leverage for the DPP to attack the KMT's cross-Straits policies. Worse still, the KMT's China's policy further got entangled with the Anti-Extradition Law Amendment Bill movement, which erupted in mid-March 2019 in Hong Kong. The movement was soon translated into a campaign appeal of "anti-China, protect Taiwan" in Taiwan by pro-DPP forces; the KMT was, by implication, not protecting Taiwan from the potential for annexation by China.

The trade war between the US and China since 2018 continues to strongly affect Taiwan politically and economically. Because of Beijing's animosity toward the DPP government, the Tsai administration has stood with the US

1. Jie Dalei, "Three Big Takeaways from Xi Jinping's Taiwan Speech," *Washington Post*, January 10, 2019, <<https://www.washingtonpost.com/news/monkey-cage/wp/2019/01/10/three-big-takeaways-from-xi-jinpings-taiwan-speech/>>, accessed October 19, 2019.

in the US–China trade war. In return, the Trump administration and the US Congress have enacted several new measures, such as the Taiwan Travel Act and the recent Taipei Act, which have significantly facilitated contacts between the two sides. Accompanying these developments are increasing weapons sales to strengthen Taiwan’s security.²

Economically, Taiwanese entrepreneurs have been returning home from China. Products manufactured by Taiwanese enterprises in China can no longer take advantage of tariff reduction. To prevent collateral damage from the “fight between the two elephants,” Taiwanese enterprises are moving their production lines out of China. Some are trying to relocate their factories to Southeast Asian countries like Vietnam, Malaysia, or the Philippines. But many others are returning to Taiwan. The Ministry of Economic Affairs and the Directorate-General of Budget, Accounting and Statistics estimated that, up to mid-October 2019, NT\$ 780 billion (US\$ 25.6 billion) was brought back to Taiwan. This also contributed to an increase of 0.24% in GDP in 2019.³

MODERATE ECONOMIC PERFORMANCE AND URGENT SOCIAL ISSUES

The main indicators of economic development in 2019 were moderate. According to the newest official records, year-over-year growth in the first three quarters was 1.8%, 2.4%, and 2.9%, respectively. The forecast for 2019 is 2.6%. Average unemployment over the first nine months was 3.7%, identical to the 2018 rate. Per capita GNI is expected to be around US\$ 25,000, again mirroring 2018’s. The often-used Gini index of income equality is at 0.338, still a safe number from a comparative perspective. Of five income groups, recent data show the disposable income of the top group at 6.09 times that of the bottom group, compared to 6.07 in 2017. Inflation was a comfortable 0.67%.⁴ These aggregate data show stable economic development in 2019.

2. Ralph Jennings, “US Moving to Make Arms Sales to Taiwan More Routine,” *VOA News*, July 19, 2019, <<https://www.voanews.com/east-asia-pacific/us-moving-make-arms-sales-taiwan-more-routine>>, accessed October 19, 2019.

3. Huang Pei-chung, “With the Help of Returning Taiwanese Enterprises, Taiwan’s GDP Would Outgrow South Korea,” *Liberty Times Net*, October 11, 2019, <<https://ec.ltn.com.tw/article/paper/1324075>>, accessed October 19, 2019 (in Chinese).

4. Directorate-General of Budget, Accounting and Statistics, “Latest Indicators,” <<https://eng.dgbas.gov.tw/mp.asp?mp=2>>, accessed October 19, 2019.

Notwithstanding these generally positive indicators, two lingering social concerns in recent years continue to be the aging population and same-sex marriage. As of late March 2019, over 14% of the population was 65 or older. According to the criteria of the World Health Organization, Taiwan has become an aged society. It is estimated that by 2025 it will be a super-aged society, with 20% of the population over 65.⁵ Is Taiwan prepared for either? In her inauguration speech in May 2016, President Tsai pledged “a high-quality, affordable and extensive long-term care system” for older people. Yet, most citizens have limited knowledge of the progress and outcomes of this promised effort at social engineering.

Same-sex marriage is highly contentious in Taiwan. For advocates, same-sex marriage is one element of basic human rights. They have received strong support from the 2017 decision of the Constitutional Court (Judicial Interpretation No. 748) giving the government two years to legislate same-sex marriage. Yet, in 2018, through referenda an overwhelming majority of voters rejected same-sex marriage, creating a dilemma for the DPP government. To follow the decision of the Constitutional Court on the one hand and the referendum results on the other, in May 2019 the DPP government passed the skillfully named “Enforcement Act of Judicial Yuan Interpretation No. 748.” The new law is acceptable to both those for and against, though neither side is completely satisfied. The passage of this act is a victory for the LGBT movement in Taiwan. It is also the first same-sex-marriage law in Asia.⁶ This is a cross-cutting proposition that the younger generation tends to endorse and the elder generation tends to oppose; meanwhile, the incumbent DPP has an image of supporting LGBT-related issues while the opposition KMT has tactically refrained from taking a clear position.

PARTY POLITICS AHEAD OF THE 2020 PRESIDENTIAL AND LEGISLATIVE ELECTIONS

It was widely argued that the opposition KMT had gained significant momentum with its strong performance in the 2018 local elections. This

5. Yi-Yin Lin and Chin-Shan Huang, “Aging in Taiwan: Building a Society for Active Aging and Aging in Place,” *The Gerontologist*, 56:2 (2016): 176–83.

6. Julia Hollingsworth, “Taiwan Legalizes Same-Sex Marriage in Historic First for Asia,” *CNN*, May 17, 2019, <<https://edition.cnn.com/2019/05/17/asia/taiwan-same-sex-marriage-intl/>>, accessed October 19, 2019.

electoral triumph, presumably, would help the KMT's presidential and legislative campaigns in 2020. To the surprise of many pundits, however, this optimism was soon outshined by the party's internal struggles resulting from the choice for its presidential candidate. Plenty of criticism pointed to the party's "biased" regulations for nomination. Meanwhile Han, the party's presidential nominee, was severely criticized by his opponents for treating the position of mayor as a springboard for the presidency.⁷ These developments helped to undermine Han's popularity and the KMT's prospects.

Some members of the "third force"⁸ also prepared to run in the 2020 general election. The People First Party nominated its leader James Soong to campaign for the 2020 presidency. As a long-shot candidate, Soong's presence nonetheless gave cheer to his party's legislative candidates. The reelected mayor of Taipei, Ko Wen-je, has been a rising star since 2014. Many, especially the younger generation and white-collar voters, had expected Ko to run in the presidential election of 2020. He decided not to run, but did organize the Taiwan People's Party, which was expected to have popular support in the legislative election. Thus, beside the two major parties, the DPP and the KMT, minor political parties such as the People First Party, the New Power Party, and the Taiwan People's Party have appeared in the 2020 elections.

The incumbent DPP will benefit from the macrosocioeconomic indicators and the KMT's bumpy primary in the 2020 elections. However, Beijing's accumulating hostility and international isolation could cripple the DPP's credibility in governing.⁹ Likewise, the mayoral election of Kaohsiung City in 2018 demonstrated Han's explosive potential of coming from behind. In other words, there was no guarantee that President Tsai would win reelection, or that the DPP would maintain its majority in the Legislative Yuan. Even though in the run-up to the election many opinion polls showed Tsai's leading position, the DPP at the time boasted only five of 22 county and city executives, to the KMT's 16; the grass-roots base of the DPP seems to have undergone a crucial transition.

7. Han assumed the position of mayor of Kaohsiung on December 25, 2018 and expressed his intention for the race of the KMT's presidential candidate on May 18, 2019. This decision drew strong criticism within and outside the KMT.

8. Those minor parties other than the two major parties, the DPP and the KMT.

9. Steven Lee Myers and Chris Horton, "As Taiwan Loses Influence, China Gains Ground in Race with U.S.," *New York Times*, September 20, 2019, <<https://www.nytimes.com/2019/09/20/world/asia/taiwan-kiribati-china.html>>, accessed October 15, 2019.

TENTATIVE CONCLUSIONS

Was Xi's speech in early January 2019 the catalyst for the KMT's decreasing advantages in cross-Straits relations? He drew a fine line between Beijing's formula of ultimate unification and the pro-unification KMT's pragmatic proposal for cross-Straits relations. It will be hard for the KMT to convince Taiwanese that its "1992 Consensus" and "one China with different interpretations" differ meaningfully from Beijing's "one China principle" and "one country, two systems." It is imperative for the KMT to resolve these contradictions and readjust its existing cross-Straits policies.

Equally important, in view of changing US-China relations, it is time for Taiwan to reassess its status in the US-China-Taiwan triangle, which Hickey describes as a "shrimp between whales."¹⁰ The two great powers, the US and China, have greatly shaped Taiwan's overall development. In 2019, instead of the hedging strategy suggested by scholars,¹¹ the Tsai administration seems to favor a balance-of-power strategy against China. It remains to be seen how this will play out.

The presidential and legislative elections could revamp the distribution of power. The incumbent DPP is recovering quickly after the disastrous defeat of the 2018 local elections, thanks to the new US-China-Taiwan triangle, moderate socioeconomic development, and the KMT's higgledy-piggledy presidential nomination process. As of this writing, the DPP's incumbent Tsai enjoys a relative lead over the KMT's challenger, Han. Yet, the recent legislation of the Anti-Infiltration Act (passed on December 31, 2019) aimed at curbing Chinese intervention in Taiwan's politics was controversial. Critics of the act have pointed to the hasty process of legislation, which could become a tool against the opposition and Taiwanese business groups in China.¹² Whatever the outcome, the new government will not enjoy plain sailing. A range of problems including worsening cross-Straits relations, Taiwan's flagging international status, and the pressing issues of an aging society will be repeatedly brought to the table for the new government in 2020.

10. Dennis V. Hickey, *Foreign Policy Making in Taiwan: From Principle to Pragmatism* (New York: Routledge, 2007): 26.

11. Wu Yu-Shan, "Under the Shadow of a Rising China: Convergence towards Hedging and the Peculiar Case of Taiwan," in Ming-chin Monique Chu and Scott L. Kastner, eds., *Globalization and Security Relations across the Taiwan Strait: In the Shadow of Power* (Abingdon: Routledge, 2014): 24-41.

12. Nick Aspinwall, "Taiwan Passes Anti-Infiltration Act Ahead of Election Amid Opposition Protests," *The Diplomat*, January 30, 2020, <<https://thediplomat.com/2020/01/taiwan-passes-anti-infiltration-act-ahead-of-election-amid-opposition-protests/>>, accessed January 4, 2020.