

The Current Situation and Prospects for Taiwan

under the Tsai Ing-wen Administration

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Abstract

This paper will explore Taiwanese strategic relations for the first two years of Tsai Ing-wen's presidency. Though Tsai Ing-wen of the Democratic Progressive Party won a landslide victory in the election in January 2016, the electoral excitement in Tsai's government evaporated soon after she took office in May, and her popularity has remained low. To address this puzzle, the paper reviews the first two years of Tsai's administration by focusing on domestic politics, cross-Straits relations, and foreign policy. The paper, then, argues that major challenges to today's Taiwanese politics come from the fact that domestic politics, cross-Straits relations, and foreign policy are not independent from one another, because Taiwanese policymakers must consider China's reactions or repercussions. Finally, the paper examines the degree to which China's influence over Taiwan is likely to grow in the next two to six years.

Introduction

This paper will explore Taiwanese strategic relations for the first two years of Tsai Ing-wen's presidency. The paper discusses the strategic conditions that her government inherited, the key issues she is concerned with, and the likely trajectories for Taiwan during her term in office. The paper also highlights some of the continuities and changes between the incumbent and her two predecessors, Ma Ying-jeou and Chen Shui-bian, to examine Taiwan's strategic challenges both at home and abroad. Finally, the paper argues that this approach advances our understanding of the critical choices Taiwan will have to make.

In January 2016, Tsai Ing-wen of the Democratic Progressive Party (DPP) won a landslide victory over Eric Chu of the Kuomintang (KMT), gaining 56.12 percent of votes against Chu's

31.04 percent. The DPP also kept the majority of seats in the parliamentary election of the Legislative Yuan, which took place on the same day as the presidential election, winning 68 of the 113 seats. This was historic: in no previous election had the DPP won both the Executive Yuan (the executive branch) and the Legislative Yuan (the legislative branch) at the same time. One might call this the first genuine regime change since Taiwan's democratic transition in the 1990s. However, much to the surprise of many scholars and observers, the electoral excitement in Tsai's government evaporated soon after she took office in May 2016, and her popularity has remained low. To address this puzzle, the paper will review the first two years of Tsai's administration by focusing on domestic politics, cross-Strait relations, and foreign policy. The paper argues that the strategic paradox inherent in any sitting government in Taiwan constitutes a critical impediment to achieving an incumbent's policy goals.

The DPP government's surprisingly low approval rates are, however, unlikely to be an indicator that the KMT can stage a comeback in the 2020 election. This is largely because of the poor prospects for a KMT resurgence in the short term; the KMT is expected to struggle not only in the 2018 local elections but also the 2020 presidential and parliamentary elections. At the same time, the DPP offers no obvious candidate who could challenge Tsai's reelection. Thus, even in the absence of major achievements Tsai is likely to stay in power for two full terms. Charting the prospective course of the remaining six years of Tsai presidency is crucial for understanding Taiwanese politics beyond 2020. The paper will conclude my assessment with a short discussion about whether Taiwan's strategic challenges could shift in the short term.

1. The Contours of the Tsai Ing-wen Regime

Tsai Ing-wen's regime is a "Third Way" government, which is distinct from either that of Ma or of Chen. It is a new type of administration, as Taiwan is now considered a fully consolidated democracy. My definition of the Third Way comes from three areas of political and diplomatic change: (1) Domestically, Taiwan is undertaking institutional reforms as it moves completely beyond the period of the KMT's authoritarian rule; (2) Taiwan is building close relationships with neighboring countries in the Asia-Pacific region; and (3) Taiwan is expanding the scope of its political autonomy from China without inviting a backlash.

The administration of Chen Shui-bian (2000–2008), the first DPP government in Taiwan's history, left virtually all domestic reform plans untouched because of the constant opposition from the KMT, which held the majority in parliament. The cross-Strait relationship also soured during this period. Although Chen sought to build a dialogue with the mainland through his declaration of "Four Noes and One Without," Beijing remained largely unresponsive. Frustrated with China's stubbornness and slow-paced progress regarding his ambition of domestic reform, Chen had few options but to resort to stoke the public's sense of Taiwanese national identity; however, China

responded by becoming even more stubborn. Towards the end of the Chen presidency, the U.S. government expressed clear disappointment with what it saw as Chen's unnecessary stoking of tension over the Taiwan Strait. During Chen's eight years in office, Taiwan rapidly grew more economically dependent on China, and as this happened, the chances of establishing a mechanism for dialogue paradoxically grew more distant.

Ma was elected largely in response to Chen's disappointing performance. His administration was quick to reopen dialogue with Beijing and reached a series of agreements regarding commerce and investment by taking advantage of existing channels such as the Cross-Strait Economic, Trade, and Culture Forum between the KMT and the Chinese Communist Party (CCP). In addition, Ma formalized multiple layers of the cross-Strait dialogue channels, particularly the one involving the Association for Relations Across the Taiwan Straits (ARATS) and the Straits Exchange Foundation (SEF). Ma's goal was that an economic recovery through greater stability in Taiwan's relationship with China would allow Taiwan to regain trust internationally. The changes brought about by the renewed relationship with Beijing were at best mixed among the Taiwanese electorate. Many Taiwanese voters felt that the economic gains were concentrated in a few sectors, and that income inequalities had worsened. On social and political matters, the voice from mainland China appeared to take precedence over that from within Taiwan. It was clear that the Taiwanese electorate became increasingly wary of these changes. Their dissatisfaction grew stronger during Ma's second term, as he sought a summit meeting with Xi Jinping.

As a DPP candidate, Tsai Ing-wen adopted a strategy that embraced neither Ma, her immediate predecessor, nor Chen, her DPP predecessor as president. She was well aware of Taiwanese identity, which grew politically salient in response to Ma's increasing dependency on China.¹ At the same time, Tsai sought to avoid appearing to be another Chen. One of her priorities was to undertake domestic institutional reform without provoking China and isolating Taiwan from the international community. Many supporters of the DPP expected her government to implement a set of reforms that were set in place during the KMT dictatorship, because one key difference between Tsai and Chen is that the DPP holds the majority seats in the Legislative Yuan. In reality, these expectations seemed a little too much for a single administration to handle, although they are crucial to democratic consolidation in Taiwan.

Tsai's Third Way became evident in her inaugural address on May 20, 2016. Her speech highlighted the importance of domestic reform in preference to Taiwan's relationships with mainland China or the international community. Tsai announced her intention to address the socioeconomic plight, particularly among the youth. She devoted more than half of her speech to

¹ Taiwanese / Chinese Identification Trend Distribution in Taiwan, Election Study Center, N.C.C.U., (<http://esc.nccu.edu.tw/course/news.php?Sn=166>).

domestic issues and discussed three types of reform that require immediate political capital: (1) Economic reform for greater self-sufficiency and the diversification of the sources of income; (2) Social reform for a deeper safety net, requiring an overhaul of the existing pension policy and the policy on long-term elderly care; and (3) Justice reform, which involves the reconciliation of the historical past and the pursuit of social fairness, “transitional justice,” and a policy regarding the indigenous population.²

Only after discussing these domestic reform plans did Tsai begin to address the cross-Strait relationship. She discussed it as part of strategic relations in the Asia-Pacific region. It was a highly anticipated part of the speech, because critics had been debating whether Tsai would publicly announce that her government would follow the so-called “1992 Consensus” on China. In her address, she indicated that Taipei would make sure to retain the ongoing level of dialogue and communication channels. At the same time, Tsai mentioned that given the “various joint acknowledgements and understandings,” she would “respect this historical fact” in “conduct[ing] cross-Strait affairs in accordance with the Republic of China Constitution, the Act Governing Relations Between the People of Taiwan Area and the Mainland Area, and other relevant legislation.”³ However, the address made no explicit reference to the 1992 Consensus. Following Tsai’s inauguration, Beijing noted that her address was an “incomplete test answer” and reiterated the demand that the Tsai regime uphold the 1992 Consensus.⁴

2. Tsai’s “Reform” and Its Results

Following the inauguration, Tsai’s government wasted little time putting her words into practice by making a series of policy changes and launching new ideas for domestic reform. For analytical simplicity, this paper organizes these changes into three areas: (1) Recurring problems inherited from the Ma administration; (2) New action areas under the DPP government; and (3) Politically sensitive issues that raised controversy within the DPP or among its supporters.

With regard to the first point, the most important issues included pension reforms and the implementation of a five-day work week based on the recently amended Labor Standards Act of Taiwan. Although the Ma administration had contemplated similar changes, they were politically untenable because many party supporters had vested interests in the existing system. In contrast, the DPP-majority parliament in December 2016 passed legislation that amended the Labor Standards Act to introduce the policy of irregular five-day work weeks. However, implementing

² Full text of President Tsai's inaugural address (May 20, 2016), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201605200008.aspx>).

³ Ibid.

⁴ Taiwan Affairs Office of the State Council PRC, (http://www.gwytb.gov.cn/wyly/201605/t20160520_11463128.htm).

the new legal regime proved to be very complex, which provoked a backlash from both employers and labor unions. In response, the Tsai government tabled a follow-up reform toward the end of 2017 when William Lai became president of the Executive Yuan.⁵ This plan provoked a backlash from another corner, this time from the New Power Party (NPP), which had until that point been a reliable political ally for the DPP. Some laborers took to the streets to oppose the new amendment.⁶ In a similar vein, opposition groups voiced concerns about the pension reform. The three new acts, which were passed in June 2017, required changes that would take priority away from the teachers and civil servants. Military personnel were also included in the original plan, but opposition successfully kept them off the list.⁷

The second issue area is social justice. The DPP intends to pursue social reconciliation and “transitional justice,” a codeword for uncovering the truth of what happened during the dictatorial period, restore the rights of the indigenous population, and establish energy sources other than nuclear. In December 2017, the Legislative Yuan passed an amended version, the Act on Promoting Transitional Justice, after long debates, and established the Transitional Justice Promotion Committee within the Executive Yuan.⁸ As for the indigenous population, in June 2016 Tsai issued a formal apology and, as the first step of restoring the native population’s rights, established the Indigenous Historical Justice and Transitional Justice Committee under the President’s Office.⁹ Finally, in January 2017 the parliament passed the amended Electricity Act drafted by the government. The new Act will denuclearize Taiwan by 2025 by shutting down all the existing nuclear power plants.¹⁰ The Tsai administration adeptly capitalized on its honeymoon period to act on its campaign promises. Despite these efforts, the public reception was not entirely positive: Social repercussions and protests followed the new Acts on transitional justice and the indigenous population.¹¹ Many also began to doubt the timing of denuclearization in the wake of island-wide blackouts in August 2017.¹²

The third set of politically sensitive matters Tsai’s administration took up included the

⁵ Premier sticks to proposed labor law revisions (Nov. 28, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201711280028.aspx>).

⁶ NPP lawmakers remain on hunger strike against labor law amendments (Jan.6, 2018), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201801060007.aspx>).

⁷ Bill passed to cut civil servants' retirement benefits (Jun.27, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201706270017.aspx>).

⁸ Transitional justice legislation passes Legislature (Dec.5, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201712050029.aspx>).

⁹ The Indigenous Historical Justice and Transitional Justice Committee, (<https://indigenous-justice.president.gov.tw/EN>).

¹⁰ Taiwan passes law to liberalize green energy supply (Jan.11, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aeco/201701110029.aspx>).

¹¹ For example, Indigenous groups demand transitional justice legislation (Aug.1, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201708010027.aspx>).

¹² Tight power supply revives discussion on nuclear energy in Taiwan (Aug.14, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aeco/201708140020.aspx>).

legalization of same-sex marriage and the lifting of the ban on food imports from Fukushima, Japan, and its surrounding four prefectures. These remain controversial among the DPP and its supporters. There has been little legislative progress on same-sex marriage since DPP lawmakers submitted a draft in December 2017; President Tsai publicly announced her own support for legalization, but the issue has not been a high priority for the government. The DPP is well aware of the strong resistance to same-sex marriage among some of its core voter blocs in the agrarian region in the midlands and the south. As a result, there is little consensus within the party. In an action poorly timed for Tsai, in May 2017 the Justices of the Constitutional Court offered a formal interpretation of the Constitution, judging that the current civil law that bans same-sex marriage is in violation of the Constitution and requires that the legislature amend the relevant law within two years.¹³ The lifting of the ban on food imports from Japan is a different story. In the fall of 2016 the government announced its intention to remove the ban and held public hearings on the matter, but the opposition was too strong for the administration to move forward for the moment.¹⁴

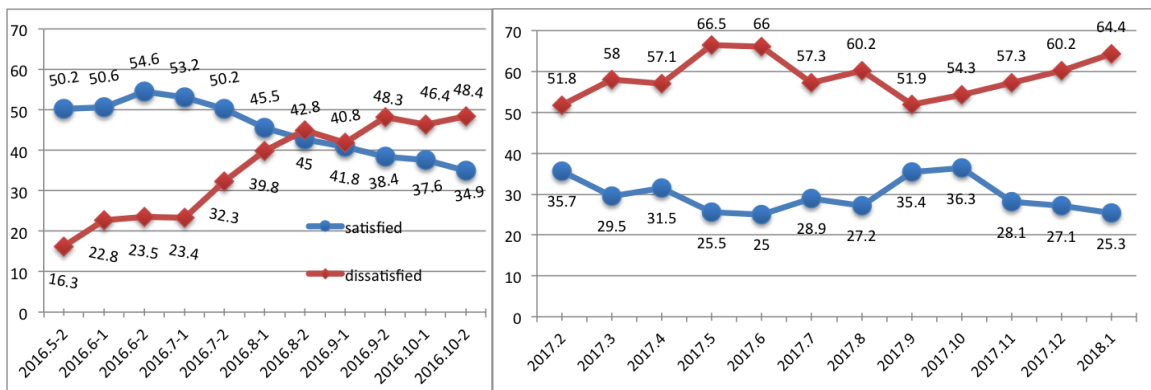


Figure 1. Public satisfaction with performances of the President Tsai's government

Source : Taiwan Zhibiao Mindiao (http://www.tisr.com.tw/?page_id=700) carried out this poll until October 2016, and then Meilidao Mindiao (<http://my-formosa.com/Topical/formosapollster>) has taken over it since February 2017.

As these examples show, the Tsai regime has acted on a series of its campaign promises. Yet as Figure 1 indicates, public attitudes toward these reforms are not as favorable as was hoped for. Overall satisfaction with the government has not increased. President Tsai understands this gap to be “work in progress” on the part of her reform agenda and intends to remain unwavering in her strategy; she seems to believe that this attitude will eventually reflect well on opinion polls.

¹³ Constitutional Court rules in favor of same-sex marriage (May 24, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/asoc/201705240023.aspx>).

¹⁴ Relaxing ban on Japanese food needs rational discussion: Tsai (Dec.31, 2016) Japan Times, (<https://www.japantimes.co.jp/news/2016/12/31/asia-pacific/politics-diplomacy-asia-pacific/relaxing-ban-japanese-food-needs-rational-discussion-tsai/#.WoKXaa1pPeQ>).

Nevertheless, public reception of Tsai's government has been poor. Critics point less to the content of each of these reforms than to Tsai's leadership and management style and her government's legislative strategy and accountability.

It is worth highlighting here that overall public opinion regarding Tsai's government is by no means indicative of a KMT comeback in 2020, as opinion at this point is shaped more by factors outside the government than its performance. At the time of writing, the KMT seems unlikely to return to office soon. The party is struggling to regain voters' support under the new chair, Wu Den-yih.¹⁵ The KMT's difficulties largely stem from two issues. The first and the most imminent is the fact that senior politicians still dominate the party's powerful posts, and it has failed to respond to generational shift. The second is that the party has not offered an effective solution to the widening gap in voters' political identity between its conservative ideology and the Taiwanese identity, which is growing more salient in politics. Similarly, there are no other opposition parties powerful enough to threaten the DPP rule. The New Power Party has so far been the most vocal third party to criticize Tsai's government and the ruling DPP.¹⁶ The biggest threat to Tsai most likely comes from her own party itself. It seems that no DPP politician has yet to openly challenge Tsai's reelection in 2020, but the path to her candidacy cannot taken for granted. A first test will most likely be the local elections that will take place in November 2018. The push for an alternative candidate representing the DPP might become stronger when the process of choosing candidates creates tension within the party, or if the DPP loses seats.

3. China Suspends Exchange Programs and Increases Pressure

President Tsai's cross-Strait strategy has not changed since inauguration. China keeps asking her government to uphold the 1992 Consensus, which she did not explicitly mention in her inaugural address—she has not changed course. In response, Beijing has suspended the channels of official dialogue and is putting pressure on Taipei in economic, diplomatic, military areas. This pressure increased following Tsai's call in December 2016 to congratulate Donald Trump on his election.

In the economic realm, China halted its purchase of agricultural products and seafood from midland and southern Taiwan, a policy adopted during Ma's presidency; China also issued fewer visas for Chinese tourists and students to Taiwan. These changes have so far had a limited effect on the Taiwanese economy. However, the decline in Chinese visitors has not been as steep as initially feared, and is being offset by a growth in the number of foreign visitors from other

¹⁵ Wu Den-yih assumes KMT chairmanship (Aug.20, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201708200006.aspx>).

¹⁶ Party Preferences Trend Distribution in Taiwan, Election Study Center, N.C.C.U., (<http://esc.nccu.edu.tw/course/news.php?Sn=165>).

neighbor countries.¹⁷

By contrast, diplomatic suspensions hit Taiwan harder. The “diplomatic ceasefire” that took place across the Strait during Ma’s presidency was been lifted as soon as Tsai came to office, and President Xi has sought to curb Taiwan’s diplomatic activity from virtually every angle. For instance, Taiwan is no longer receiving invitations to attend as international bodies such as the WHA (World Health Assembly) and the ICAO (International Civil Aviation Organization) as an observer, both of which the Taiwanese government was invited to during Ma’s administration. In addition, China established a diplomatic relationship with Gambia in March 2016, with São Tomé and Príncipe in December 2016, and with Panama in June 2017. With regard to the latter two, China won agreement that they would sever diplomatic ties with Taiwan before establishing links with China.¹⁸ Beijing keeps putting pressure on other states that maintain diplomatic relationships with Taiwan, including the Republic of Palau and Vatican City State—countries that are crucial to Taipei.

China’s military pressure on Taiwan is also growing. Its display of naval and air power around Taiwan has acquired a sense of normalcy. For example, since October 27, 2016, Chinese jets, including Y-8 transport aircrafts and H-8 bombers, have frequently flown close to the eastern side of the Air Defense Identification Zone (ADIZ) of Taiwan; Chinese fighters also regularly shuttle along the east of Taiwan through the Miyako Strait and the Bashi Channel. As a third example, China’s aircraft carrier, the Liaoning, has passed through the Taiwan Strait three times since Tsai’s inauguration, in December 2016, July 2017, and January 2018.¹⁹

Finally, one of the most recent instances occurred on January 4, 2018, when Beijing made a unilateral declaration to begin using the commercial flight route of M503 *northbound*. The Chinese government established this route in 2015, but Taipei quickly resisted the move because the route passes just west of the centerline of the Taiwan Strait. Aviation agencies from both sides of the Strait established a working committee, which came to an agreement that the M503 route would be moved closer to mainland China and be *southbound* only. The committee also decided to temporarily halt any east-west routes that could interfere with M503, which included those that go to Dongshan (W121), Fuzhou (W122), and Xiamen (W123). China’s unexpected announcement has had repercussions within Taiwan, not only because it contravenes the erstwhile agreement but also because it could have a major impact on Taiwan’s security.²⁰

¹⁷ Tourism Bureau, M.O.T.C. Republic of China, (http://admin.taiwan.net.tw/statistics/release_en.aspx?no=13).

¹⁸ Instances of Mainland China's Interference with Taiwan's International Presence, Ministry of Foreign Affairs, Republic of China (Taiwan), (https://www.mofa.gov.tw/en/Content_List.aspx?n=218D65026C0F1D37).

¹⁹ National Defense Report, 2017, Ministry of National Defense, ROC, (<https://www.mnd.gov.tw/PublishForReport.aspx?a=1&title=軍事刊物&SelectStyle=歷年國防報告書專區>).

²⁰ Madoka Fukuda, “M503 Koro wo Meguri Taiwankaikyo ni Hirogaru Hamon,” *Toa*, No.609 (Mar. 2018), pp.8-9.

The nineteenth National Congress of the CCP opened in October 2017 amidst the growing pressure on Taiwan. At the meeting, President Xi made a forceful statement to prevent Taiwan from moving toward independence. He offered the idea of “six anys” to summarize China’s strategy on Taiwanese separatism, remarking: “We will never allow *anyone*, *any* organization, or *any* political party, at *any* time or in *any* form, to separate *any* part of Chinese territory from China!” Xi also made sure to leave room for dialogue, urging that Taiwan “[r]ecognize the historical fact of the 1992 Consensus and that the two sides both belong to one China, and then our two sides can conduct dialogue to address through discussion the concerns of the people of both sides, and no political party or group in Taiwan will have any difficulty conducting exchanges with the mainland.” He highlighted his willingness to “expand cross-Straits economic and cultural exchanges and cooperation for mutual benefits” to give “Taiwanese compatriots...the same treatment as local people” to “forge closer bonds between them.”²¹

How has Xi’s speech at the nineteenth Congress been received in Taiwan? Tsai made clear that her government supports the status quo, i.e., the strategy of building a “new model” without referring explicitly to the 1992 Consensus.²² It is worth reiterating that this strategy has not borne fruit, in that there is little prospect for reopening the channels of formal dialogue. Critics’ opinions are divided over Tsai’s strategy: Critics see it as falling short and are urging Tsai to resume official dialogue by upholding the 1992 Consensus, while those in favor argue that Taiwan should not compromise unless China is willing to do so—but they also insist that it is virtually unimaginable that China will be amenable in the near future. This view is based on the pessimistic assumption that China is likely to harden its attitude against Taiwan’s independence as represented in Xi’s “six anys.” A third camp gives credit to Tsai by arguing that her government is walking a fine line between promoting its interest and keeping China’s pressure from pushing Taiwan to one extreme or the other. Analysts in this camp are more optimistic about cross-Straits relations, pointing out that post-nineteenth-Congress China is likely to soft-pedal on Taiwan, as they have discerned indicators of this tendency in China’s attitude to the nineteenth Congress.

Taiwan’s public opinion regarding cross-Straits relations indicates that many people feel torn between Tsai’s strategy and China’s growing pressure. It is important to note that although public attitudes toward Tsai’s government are in general unfavorable, as mentioned above, they do not necessarily coincide with the public perception of Tsai’s China policy. This is confirmed by opinion polls from two respected sources. The first is the poll conducted by the *Commonwealth*, a monthly journal that reports poll results in the first issue of each year. In the January 2018 issue, one of the

²¹ Full text of Xi Jinping’s report at 19th CPC National Congress, Xinhua, (http://www.xinhuanet.com/english/special/2017-11/03/c_136725942.htm).

²² President Tsai attends opening of symposium on 30 years of cross-strait exchanges and prospects for the future (Oct.26, 2017), Office of the President, Republic of China (Taiwan), (<http://english.president.gov.tw/NEWS/5254>).

key questions regarding China asked: “Do you agree or disagree with the Tsai government’s policy that pursues the status quo in cross-Straits relations without referring to the 1992 Consensus?” This year’s issue of *Commonwealth* reported that 48.9 percent of respondents agreed with the statement, while 41.6 percent disagreed, a shift from last year, when 57.4 percent agreed and only 32.9 percent disagreed.²³ In contrast, public opinion was more critical according to the 2017 poll by the *United Daily News*, a Taiwanese daily that conducts opinion polls about cross-Straits relations every fall. The 2017 poll showed that 55.8 percent of the respondents were “unsatisfied” with Tsai’s performance, while 26 percent felt “satisfied.”²⁴

Other polls reported changes in Taiwanese attitudes toward Taiwanese / Chinese identity and the issues of unification and independence. According to a poll conducted by the Election Study Center of National Chengchi University, 60.6 percent respondents self-identified as Taiwanese in 2014, but only 55.3 percent did so in 2017.²⁵ The 2018 issue of *Commonwealth* reported on the same question, finding that 56.4 percent self-identified as Taiwanese; among respondents in their twenties, who tend to be the most nationalistic across all age cohorts, the figure dropped from 76.7 percent in 2017 to 72.7 percent in 2018. Regarding the question of unification and independence, fewer respondents supported the status quo (48.86 percent) or the idea that Taiwan should become “independent and build a peaceful relationship with China” (27.31 percent) than in 2017, while support for “unification under certain circumstances” increased to 13.75 percent.²⁶

At the same time, 37.5 percent of the respondents in the 2018 *Commonwealth* poll reported a willingness to “work in mainland China if given an opportunity.” This percentage is higher than the affirmative response to the same question in the previous year’s poll.²⁷ Similarly, in the *United Daily News* poll, 40 percent reported wanting to “work in the mainland,” 27 percent wanted to “start a business,” 38 percent wanted to “have children study in the mainland,” and 12 percent wanted to “move to the mainland permanently.” These figures are record highs in the newspaper’s polls.²⁸ These opinion polls indicated that Taiwanese people increasingly feel closer to mainland China, in contrast with polls during Ma’s presidency that indicated the growing salience of Taiwanese identity.

4. Diplomacy under Tsai Ing-wen

²³ 2018 Commonwealth National Census, *The Commonwealth*, (<https://www.cw.com.tw/article/article.action?id=5087302>).

²⁴ 2017 UDN Census about the Cross-Straits Relations, UDN, (<https://theme.udn.com/theme/story/6773/2828323>).

²⁵ Taiwanese / Chinese Identification Trend Distribution in Taiwan, Election Study Center, N.C.C.U., (<http://esc.nccu.edu.tw/course/news.php?Sn=166>).

²⁶ 2018 Commonwealth National Census, *Ibid.*

²⁷ 2018 Commonwealth National Census, *Ibid.*

²⁸ 2017 UDN Census about the Cross-Straits Relations, *Ibid.*

President Tsai made clear in her inaugural address that her government's China policy would be firmly grounded within her framework of regional stability. She believes that this approach is how Taiwan can contribute to regional security. To support this strategy, she offered a new idea about expanding Taiwan's economy, the "New Southbound Policy." It would first and foremost strengthen Taiwan's ties with countries in Southeast Asia, South Asia, and Oceania, which allows Taiwanese firms to be more actively involved in the economic development of the region. Furthermore, Tsai expressed her intent to be an active player in global issues: Taiwan would "continue to deepen our relationships with friendly democracies, including the United States, Japan, and Europe, to advance multifaceted cooperation on the basis of shared values."²⁹ Once in office, the Tsai government issued the principles of "steadfast diplomacy" and "mutual assistance for mutual benefits." These pronouncements suggest Tsai's resolve that she no longer be seen as a "troublemaker" in international society, the label attached to Chen's diplomacy. Tsai's diplomatic principles suggest her intention not to grow too close to China, as happened under Ma. Tsai's strategy forces her to walk a fine line, without provoking the public's sense of Taiwanese national identity or generating friction with major regional powers.

Taiwan's relationship with the United States is doubtless the most important influence on its diplomacy. President Tsai is confident that her government is capable of keeping the tie healthy, and Taipei champions it in foreign policy. The United States seems willing to do the same. Toward the end of Barack Obama's administration, the U.S. government sought to strengthen its commitment to Taiwan as part of its rebalancing strategy, and expressed a greater commitment to military exchanges. Furthermore, the stipulation of the "Six Assurances," originally adopted under the Ronald Reagan administration, was voted for unanimously in both chambers of Congress.³⁰ As a candidate, Tsai also made every effort to establish connections with the U.S. government. In a book published during the campaign, she recounted in detail how important Taiwan's relations with the United States are and how she has struggled to build a bridge between Taiwan and the U.S. establishment circle.³¹

The Tsai government has maintained a healthy relationship with the United States since Donald Trump came into office. The phone conversation between the two leaders in December 2016 reinforced this view, even though the Taiwanese side did not intend to make the call public. Thereafter, there was a time when Taiwan might have been caught between the United States and China, as President Trump sought to build a relationship with Xi Jinping. The concern was that President Trump would try to use Taiwan as a bargaining chip. There is now little prospect of such

²⁹ Full text of President Tsai's inaugural address, Ibid.

³⁰ U.S. secretary of state reaffirms Six Assurances to Taiwan (Feb.9, 2017), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201702090006.aspx>).

³¹ The Chapter 6 of Tsai Ing-wen, *Ying Pai*, (Taipei: Yuanshen, 2015).

an outcome. In June 2017, the United States announced its decision to sell Taiwan \$1.42 billion in arms, including weapons such as air-to-air missiles and technical assistance equipment such as early-warning radar.³² Moreover, on December 12, Trump signed into law the National Defense Authorization Act (NDAA) for Fiscal Year 2018, which included possible mutual visits of naval vessels between the United States and Taiwan.³³ On January 10, 2018, the House of Representatives passed the Taiwan Travel Act to promote mutual visits by high-ranking officials of the two governments. Since the passing of these bills, there have been news reports about the realization of these visits, including U.S. naval vessels coming to the port of Kaohsiung or visits by cabinet-level political appointees and more senior officials.³⁴ While Taipei would welcome these developments, whether these visits happen is up to the Trump administration, given that these acts have already provoked a backlash from China.

Following the United States, Japan is the next most important state for Taiwan's strategic relations in the region. Tsai visited Japan (and the United States) during the presidential campaign. The Shinzo Abe administration came to hold high expectations of Tsai, especially as Tokyo was unable to build a working relation with Ma's government.³⁵ In response, Tsai was quick to set the relationship straight by announcing shortly after her inauguration that Taipei would lift the ban on importing food from Fukushima and its surrounding four prefectures and change her predecessor's policy on maritime activities near the Senkaku and the Okinotori Islands. As mentioned above, the import ban had to be abandoned after meeting with strong opposition from the public, but Tsai softened her predecessor's approach to the maritime activity issue and has launched the new Japan-Taiwan Maritime Cooperation Dialogue, which prompted two meetings, one in October 2016 and one December 2017.³⁶

Taiwan aims to make new deals in several areas with Japan. The most important of these is to reach an Economic Partnership Agreement (EPA), which will enable Taiwan to enter the Comprehensive and Progressive Agreement for a Trans-Pacific Partnership (CPTPP) and other

³² U.S. plans to sell Taiwan about \$1.42 billion in arm (Jun.30, 2017), Reuters, (<https://www.reuters.com/article/us-usa-taiwan-arms/u-s-plans-to-sell-taiwan-about-1-42-billion-in-arms-idUSKBN19K2XO>).

³³ Taiwan in the National Defense Authorization Act (NDAA), 2018, Taiwan Defense & National Security, (<http://www.ustaiwandefense.com/taiwan-in-the-national-defense-authorization-act-ndaa-2018/>).

³⁴ Taiwan Travel Act clears U.S. House (Jan.10, 2018), Focus Taiwan, (<http://focustaiwan.tw/news/aip/201801100009.aspx>).

³⁵ "The foreign minister's comments on the presidential election in Taiwan," MOFA of Japan, (http://www.mofa.go.jp/mofaj/press/danwa/page3_001538.html).

³⁶ About current situation of the issue of ban on food, see, Taiwan mulls softening of post-2011 import ban on Japanese food products (Jan.30, 2018), The Japan Times, (<https://www.japantimes.co.jp/news/2018/01/30/business/taiwan-mulls-softening-post-2011-import-ban-japanese-food-products/#.WozKx2bANBx>). And, about the Japan-Taiwan Maritime Cooperation Dialogue, see, Taiwan-Japan maritime cooperation dialogue wraps up in Taipei (Dec.21, 2017), Taiwan Today, (<https://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=126934>).

multilateral regional economic schemes. Japan is in principle in favor of the idea of an EPA with Taiwan, but its government believes that Taiwan must first lift the ban on food imports from Japan. As a member of the World Trade Organization (WTO), Japan considers the ban to be a violation of WTO rules. The Abe government also has other concerns: It has long wanted to address the ban, which does not seem to have a clear scientific basis. This issue creates a dilemma, because Tokyo does not want to make it an obstacle to building a better relationship with Taipei. To demonstrate the will to make progress, Japan sent Jiro Akama, a Senior Vice-Minister for Internal Affairs and Communications, to Taiwan. His was the first visit of such a high-ranking Japanese official since 1972. Japan also promoted to reach an agreement that changed the official name of the front offices between Japan and Taiwan to include the “Japan-Taiwan” or “Taiwan-Japan” labels.³⁷ The Abe government seeks to keep progress with Taiwan within the confines of the four basic documents of Sino-Japanese relations, as it wants to revamp its ties with China in 2018.

The “New Southbound Policy” is also crucial to Tsai’s foreign policy. It is an essential part of Taiwan’s strategy to diversify its sources of growth. One major problem is that it is a long-term strategy with many potential roadblocks. At the moment, China is leading other actors by a substantial margin as the largest exporter to Taiwan. The Association of Southeast Asian Nations (ASEAN) comes next, but its monetary value is less than half of that of Chinese exports. Tsai’s New Southbound Policy will be judged by the extent to which it corrects this imbalance. Another goal of this strategy is to deepen the links between Taiwan’s economy and those of the wider geographical region, including Southeast Asian countries, India, Pakistan, Australia, and New Zealand.³⁸ Tsai discussed the need to expand sources of growth in her book published during the campaign and wrote about her visits to India and Indonesia, arguing that Taiwan can build a new relationship with both of these states because they are neither pro-U.S. nor pro-China.³⁹ One motive of adopting this strategy is to increase trade and exchange and invest in future leaders so that Taiwan can become a major player in the Asia-Pacific region.

5. Mutual reinforcement between domestic politics, cross-Strait relations, and Taiwan’s foreign policy

The way Tsai’s government advocates new agendas, presented as elements of her Third Way, are distinct from those of her two predecessors. Tsai’s approach reflects the “lessons” she learned from them. This idea is being tested, however, and has yet to win widespread support from the public.

³⁷ Yasuhiro Matsuda, “Japan-Taiwan relations under Beijing’s watchful eye (May 6, 2017),” East Asia Forum, (<http://www.eastasiaforum.org/2017/05/06/japan-taiwan-relations-under-beijings-watchful-eye/>).

³⁸ About the New Southbound Policy, see, Bonnie S. Glaser et.al, *The New Southbound Policy: Deepening Taiwan’s Regional Integration*, (Washington D.C.; CSIS, 2018).

³⁹ The Chapter 6 of *Ying Pai*, Ibid.

This paper argues that the main reason for this is the structural challenge that confronts *any* Taiwanese leader. “Structure” here refers to the idea that the three areas the paper discussed above, i.e., domestic politics, cross-Strait relations, and foreign policy, mutually reinforce one another. Taiwan can never escape this challenge as long as it remains under China’s growing influence: This is the fundamental problem that Taiwan must confront.

Major challenges to today’s Taiwanese politics come from the fact that domestic politics, cross-Strait relations, and foreign policy are not independent from one another, because Taiwanese policymakers must consider China’s reactions or repercussions. Tsai’s domestic reform and ambition to strengthen Taiwan’s international presence make Chinese officials wary of the consequences of her new policies. In response, Beijing’s lobbying activity has intensified within the Taiwanese policy community and international society, to ensure Taiwan’s presence remains minimal. Over the past two decades, China’s national power has grown substantially. The growth of its influence over Taiwan has kept pace, and greater exchanges across the Strait during Ma’s eight years in office further accelerated the trend. China’s leverage over Taiwan has become stronger and is being felt in many areas, at a level that was virtually unimaginable when Chen was in power.

Figure 2 summarizes the structure of Taiwan’s challenges. Just as Tsai learned lessons from her predecessors, Xi has done the same for his Taiwan policy from his two previous leaders, Jiang Zemin and Hu Jintao. China’s tact has over the years become subtler.

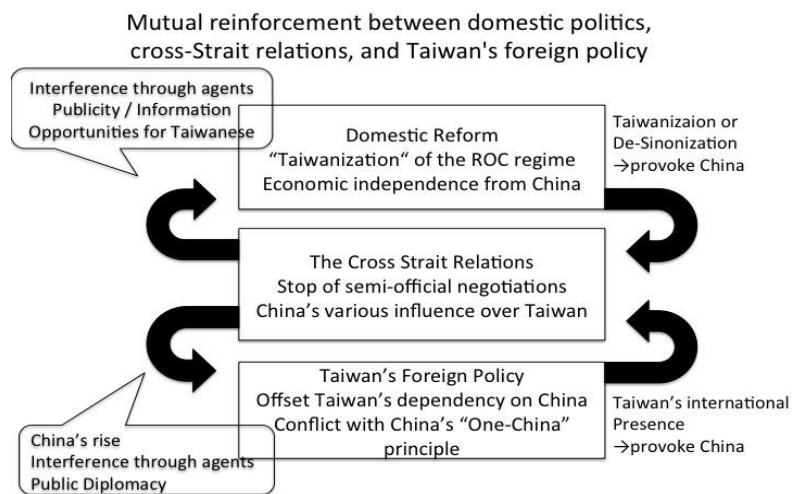


Figure 2. Mutual reinforcent between domestic politics, the Cross-Strait relations, and Taiwan’s foreign policy

Two of the biggest challenges to Taiwan’s domestic politics are in the areas of the economy and society. The economic problem is the increasing dependence on mainland China while Taiwan struggles to retain its competitiveness. The social problem is the growing discrepancy between the

current situation and the institutions that the founders built. The Tsai administration seeks to meet these challenges by investing in domestic competitiveness and undertaking domestic reform to address many people's concerns. This effort creates a paradox, where the Taiwanese political and social systems become "Taiwanized," i.e., more distinct from those of China. As mentioned above, these changes are sure to be met with caution from the mainland because they indicate a departure from the status quo across the Taiwan Strait. China's ability to manipulate Taiwanese politics and society is limited at the moment, but it has made various new attempts to do so over the past few years. One prominent example is the policy that gives the Taiwanese youth preferential treatment and exemptions when they start up a business on the mainland. This approach is distinct from the traditional "hardliner" one in which the CCP sought to interfere with Taiwan's domestic politics through proxy actors such as the China Unification Promotion Party. China at that time used every means to keep the majority political identity as "China" or "Chinese" to prevent further the Taiwanization of politics and society.

Taiwan's challenge in foreign policy is to counter China's effort to contain Taiwan by strengthening its contributions to regional security and stability. First, President Tsai is seeking to reinforce ties with the United States and Japan respectively. She has also launched the New Southbound Policy, which is exploring new economic opportunities with Indo-Pacific states to make Taiwan less dependent on China. This new policy will greatly affect the structural change in the economy of Taiwan, but it will also induce caution among Chinese officials, as it necessarily promotes Taiwan's autonomy. It is important to emphasize that China's capacity to shape Taiwanese diplomacy is much greater than its influence on Taiwanese domestic politics. Countries with which Taiwan intends to build a new relationship through the New Southbound Policy are working to deepen ties with China under the "One Belt, One Road" policy. Taiwan expects to see a strong pushback from China in the name of "One China," as seen in Taiwan's observer status among multilateral bodies.

The Xi Jinping government has so far kept moderate its reactions to Tsai's "Taiwanization" or "de-Sinicization" policy in domestic politics and foreign policy. For example, Xi has not mentioned Tsai's name as he did to Lee Teng-hui and Chen Shui-bian in rebuking Taiwan, nor has he rejected the idea of reopening working-level negotiations with Taiwan. Xi has left room for dialogue with Tsai. Xi's moderate attitude appears to come from what the Chinese government learned from dealing with Chen for eight years. One could say that China now has the luxury of being lenient with Taiwan because of its growing influence in the region and the solid record of cross-Strait exchanges under the eight years of the Ma administration. Thanks to these exchanges, China now enjoys more tools and influence on every level of Taiwanese society. It can offer Taiwan a vision, even though its great-power status is still in progress. To reiterate, Chinese power in international society and the region goes far beyond what it held during Chen's presidency. The Chinese government is ready to put pressure on the activity of the Taiwanese government and

businesses in the region.

To summarize Tsai's China policy, she is seeking to reopen dialogue without risking undermining the "status quo" of peace and stability across the Strait. This paper has put quotation marks around the term because China and Taiwan have different interpretations of what it means in practice. For Beijing, the status quo means that Taipei upholds the 1992 Consensus: It has made this declaration the precondition for reopening preliminary dialogue. Xi has not categorically refused dialogue with Tsai. To support this claim, one needs to examine how he puts pressure on Taiwan: Beijing typically avoids measures that directly criticize the Taipei government. Under these circumstances, an armed exchange or a direct political confrontation seems unlikely, and an absence of events may provide a semblance of peace and stability over the Taiwan Strait. It may lead observers to believe that the status quo is "maintained." This assessment is misguided—as China's power keeps growing, the power balance is likely to tilt further in its favor unless Taiwan is able to catch up.

6. Prospects for Taiwan's politics and diplomacy over the next decade

President Tsai's initiatives of domestic reform and diplomacy were launched with much fanfare. High hopes for their success are unwarranted, because they depend to a large extent on China's reaction and international politics. The new president's governance has for the most part not been well-received in Taiwanese public opinion. One reason for this perception might be that many Taiwanese feel tied down due to China's growing influence in defense and diplomacy. This paper argues that by pursuing the Third Way, Tsai will continue to make every effort to "free up" Taiwan in these areas. As her autobiography suggests, she has strong confidence in her decision-making capabilities and her capacity to follow through. In addition, fortunately for her, few opposition parties are in a position to pose a threat to her power, and neither is the cross-Strait matter as critical to international order as North Korea's nuclear and missile threats. Tsai thus has few reasons to give up on her own ambitions.

What domestic and international factors can thwart the Third Way in the next two to six years? The most important determinant lies outside Taiwan, i.e., China's policy toward Taiwan and its consequences. As the paper stressed earlier, China can shape the course of Tsai's policy initiatives. The extent to which it is willing to flex its muscle can strongly affect whether Tsai will be able to follow through, which in turn has an impact on how the Taiwanese public and the international community assess Tsai's performance. China can also affect how her policy toward the mainland will be seen.

It is therefore crucial to examine the degree to which China's influence over Taiwan is likely to grow in the next two to six years. The paper assumes that Tsai will remain steadfast in her China policy, and this approach allows me to suggest a few plausible trajectories for Taiwan's

politics and diplomacy.

China has three main tools that have proven to be effective. The first is to use proxy agents to exert influence on Taiwan's domestic politics. The second is to promote (or reduce) cross-Straits exchanges. The third is to demonstrate coercive capacity by undertaking military exercises or putting pressure on international society to limit Taiwan's participation. As Chinese influence is more acutely felt across Taiwanese politics and society, the Taiwanese electorate could turn on Tsai's government, and in that event the DPP might well call for new leadership. The degree to which China can shape Taiwan's diplomacy relies primarily on Chinese foreign relations in Asia. If the integration of the regional economy advances in China's favor, Taiwan is likely to be outside it and left behind. In this scenario, Tsai's New Southbound Policy will have little tangible impact. A second factor is North Korea: If the United States and Japan seek stronger cooperation from China to deescalate North Korea's nuclear threat, Taiwan will likely be left isolated.

	"Continuity" Scenario	"Challenge" Scenario
Domestic politics	Tsai is reelected DPP remains in power beyond Tsai	Internal divide in the DPP Calls for new leadership
Cross-Straits relations	New normalcy ("Status quo," in Tsai's words)	China's growing influence (de facto change from the status quo)
Foreign policy	Cooperation with the United States / Japan Prosperity under the NSP	Isolation following China's rise

Table 1. Plausible scenarios for 2020 and 2024

Table 1 describes two main scenarios for Taiwan under Tsai, which can be labeled "continuity" and "challenge." There are a few short-term challenges. First, Tsai might be compelled to bend her decision to not explicitly uphold the 1992 Consensus. Taipei seeks to reopen dialogue under the current conditions, but Beijing may remain inflexible for the duration of Tsai's term in office: If that happens, the Tsai government will have to adopt a difficult two-pronged strategy that allows Taiwan to secure autonomy and prosperity while resisting (or dodging) pressure from China. In terms of domestic politics, one of the most pressing challenges is to keep the DPP united. This will allow the DPP to stay in power beyond Tsai's presidency, even if she is elected for a second term. The implementation of her domestic reform will take time, so staying in power will be a priority in the short term. The DPP's management as the ruling party will be tested in the 2018 local elections and the 2020 presidential election. The party's campaign strategy will be of particular interest, especially in 2020.

The Tsai government faces a bigger challenge abroad regarding how to build durable ties with regional powers if Taiwan makes little progress in cross-Straits relations and faces mounting

pressure from China on the international stage. The prospect for success is closely tied to what order the region takes—if it becomes one in which China holds the leadership position in regional cooperation, Taiwan will be sidelined. To avoid this prospect, it is critical for Taiwan to maintain a healthy relationship with the region’s leading powers, such as Japan and the United States, and to actively participate in upholding the current order, where democracy and freedom remain the guiding principles. It is in this regional order that Taiwan can pursue its diplomatic goals. The United States and Japan will play a crucial role in guarding the current regional order.