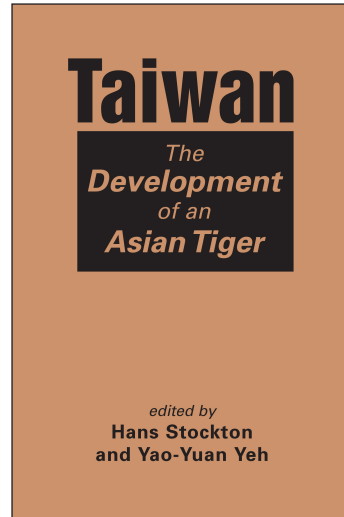


EXCERPTED FROM

**Taiwan:
The Development of
an Asian Tiger**

edited by
**Hans Stockton
and Yao-Yuan Yeh**

Copyright © 2020
ISBN: 978-1-62637-834-6 hc



LYNNE RIENNER PUBLISHERS

1800 30th Street, Suite 314
Boulder, CO 80301 USA
telephone 303.444.6684
fax 303.444.0824

This excerpt was downloaded from the
Lynne Rienner Publishers website
www.rienner.com

Contents

<i>Acknowledgments</i>	vii
1 The Development of an Asian Tiger <i>Hans Stockton and Yao-Yuan Yeh</i>	1
Part 1 Contemporary Taiwan in Context	
2 From Authoritarianism to Democracy <i>Shelley Rigger</i>	11
3 Evolution of a Global Economic Power <i>Chien-Pin Li</i>	27
4 The Trajectory of Taiwan-US Relations <i>Dennis V. Hickey</i>	47
Part 2 The Tsai Administration	
5 Politics in the Tsai Ing-wen Era <i>Kharis Templeman</i>	67
6 Social Issues and Social Policy <i>Ching-Hsing Wang and Dennis Lu-Chung Weng</i>	97
7 Political Cleavage and Generational Politics <i>T. Y. Wang and Su-Feng Cheng</i>	117

vi *Contents*

8	The New Southbound Policy <i>Karl Ho, Cal Clark, and Alexander C. Tan</i>	133
9	The Dynamics of Cross-Strait Relations <i>Wei-Chin Lee</i>	149
10	International Law and Institutions <i>Jacques deLisle</i>	171
Part 3 Conclusion		
11	Beyond Regime Consolidations <i>Hans Stockton and Yao-Yuan Yeh</i>	209
	<i>Bibliography</i>	219
	<i>The Contributors</i>	231
	<i>Index</i>	233
	<i>About the Book</i>	247

1

The Development of an Asian Tiger

Hans Stockton and Yao-Yuan Yeh

The seventieth anniversary of the Republic of China's (ROC) retreat to Taiwan in 1949 is an opportune time to assess Taiwan's remarkable developmental trajectory.¹ Retracing its path from the brink of catastrophic failure to wealth, democracy, and social stability shows how Taiwan has successfully transcended multiple, overlapping crises not only to survive, but also to flourish.

In this volume, we argue that Taiwan's success resulted from sequential, interconnected, and mutually reinforcing economic, political, and social regime transitions. These transitions occurred in a largely linear manner, despite the growing threats of military and economic coercion from the People's Republic of China (PRC) and changing relations between the United States and Taiwan.

The starting point was the consolidation of the ROC state and Nationalist government after 1949, which entailed centralized economic planning, one-party authoritarian rule, "re-sinification" campaigns, and strict control of Taiwan's civil society. The Cold War and outbreak of the Korean War secured US aid, which provided external security, much-needed capital, and regime legitimacy as a viable "China" alternative to Beijing by the early 1950s.

From then on, Taiwan went through multiple regime transitions and consolidations (see Table 1.1). Rather than experiencing simultaneous transitions and turmoil, however, we argue that the polity on Taiwan enjoyed the benefits of managing one regime struggle at a time.

Table 1.1 Regime Transition and Consolidation in Taiwan, 1950–2018

	Economic Regime	Political Regime	Social Regime
1950–1986	<i>Transitional Industrializing</i>	<i>Resilient Authoritarian</i>	<i>Resilient/Co-opted Corporatized</i>
1986–1996	<i>Consolidating Services/High Tech</i>	<i>Transitional Liberalizing</i>	<i>Softening</i>
1996–2008	<i>Consolidated</i>	<i>Consolidating Democracy</i>	<i>Transitional Liberalizing</i>
2008–2018		<i>Consolidated</i>	<i>Consolidating Pluralist</i>

Taiwan's Economic, Political, and Social Regimes

Up to the early 1980s, Taiwan's economy was transitional. The 1950s and 1960s were characterized by policies to stabilize the economy, industrialize, and adopt import substitution and export orientation. During the 1970s and 1980s, planners moved the country toward heavy industrialization and privatization, and began early transitioning into higher-technology enterprises. At this point, the primary structures and actors for Taiwan's subsequent economic regime consolidation were in place, and Taiwan's evolution continued to the next phase toward an information technology and a service-based economy.

Building a vibrant economy was a crucial element for legitimizing the rule of the Chinese Nationalist Party (Kuomintang [KMT]) and maintaining social stability, or at least acquiescence. In addition, US diplomatic recognition of the Republic of China until 1979 was an important external affirmation of the legitimacy of both the Republic of China and the KMT. The internal legitimation of the KMT was essential to avoid a mass uprising against its rule and to keep effectively co-opting potential opposition. With the loss of its seat at the United Nations to the People's Republic of China in 1971 and diplomatic de-recognition by the United States as of January 1, 1979, the need for the KMT to deliver economic returns became paramount. During this initial thirty-year period, the Nationalist government relied extensively on a mixture of political and social repression and mobilizational authoritarianism. When the KMT was unable to suppress its opponents, it would often successfully co-opt or preempt opposition elements through resource allocation. Land reform, rising wages, near-full employment, and a process of bottom-up industrialization through small and medium-sized enterprises encouraged popular

acceptance of strict controls. Further, the lack of accountability and transparency allowed the ruling party to implement the policies and laws that technocrats and politicians felt were necessary to maintain their monopoly of power and build the country's economic structures.

This resilient authoritarianism persisted into the 1980s, when the economy entered its consolidation phase and democratic transition began with the legalization of political opposition, new political parties such as the Democratic Progressive Party (DPP), and competitive local and national elections.

By the mid-1990s, economic structures, actors, and processes were largely fixed, or consolidated. Taiwan had become an export-oriented, service-based, and market economy. But the KMT's successes sowed the seeds of its demise. Economic stability and growth required an educated work force, provided rising wages and discretionary income, and produced a new middle class who were no longer satisfied with the KMT's monopoly on ideology and power, lack of accountability, and suppression of civil society and political opposition. This period of democratic transition culminated with the first direct, multiparty election for president in 1996.

The consolidation of Taiwan's basic economic regime and the beginning of the democratic regime consolidation allowed for social regime transition. During the authoritarian period, associational life, especially for trades and labor, had been highly corporatized. Although civil society activation can be traced back to the democracy movement of the 1970s and 1980s, much of it was illegal and subject to severe suppression. Only after democratic institutions were put in place could civil society movements truly coalesce, mobilize, and advocate in the public realm. This period saw a growth of organic, non-state-sponsored organizations dedicated to many issues, including family issues and health, public education and welfare, national identity, anti-unification, environmental protection, and anti-nuclear power, to name a few.

The second peaceful alternation of the ruling party, in 2008, identified Taiwan as a consolidated democracy. The eight subsequent years of KMT rule under the presidency of Ma Ying-jeou marked changes and reversals in certain policy areas from those of his predecessors, but not in the general democratic orientation of Taiwan's politics. Taiwanese society continued to be divided over Taiwan's future in relation to the mainland, but there was considerable consensus that this did not include unification with the mainland. The other major area of historical contention, that of national or ethnic identity, was also reaching greater consensus.

A growing majority of citizens began to self-identify as Taiwanese and fewer and fewer as Chinese. Citizens became increasingly concerned

that President Ma's rapprochement with Beijing would draw Taiwan too close into China's orbit, regardless of popular disapproval. After more than twenty cross-strait agreements with Beijing were signed, the controversy surrounding the Cross-Strait Service Trade Agreement in March 2014 led to the Sunflower Movement and student occupation of the Legislative Yuan. The Sunflower Movement, along with plummeting approval ratings for President Ma and his KMT legislative majority, set the stage for the fall of the KMT and the rise of the Democratic Progressive Party in 2014's local elections and 2016's legislative and presidential elections. Following the inauguration of Tsai Ing-wen as Taiwan's second DPP president, social movements continued to form and agitate over issues related to pension reform, holiday and labor laws, and marriage equality, which is why we consider the social regime as consolidating and on the verge of being consolidated.

The Tsai Administration

If the political, economic, and social regime transitions and consolidations have indeed reached near fruition, then this should be a new era for Taiwan's domestic politics. Long criticized for being driven not by policy debates, but by those of nationalism and identity, Taiwan's political parties should now be more focused on matters of law and public administration compared to a decade ago. Civil society movements should be diverse, relatively autonomous, and also focused on policy issues. With Taiwan plagued with slow growth, overreliance on Chinese trade and tourism, loss of manufacturing employment, and a move toward information technology and automation, the largest questions facing Taiwan's economic decisionmakers are how and where to find new markets and how to effectively educate, train, and employ the next generation of workers and entrepreneurs.

And, of course, there remain the issues of Taipei's relations with Beijing and with Washington. President Ma's rapprochement, diplomatic truce, and limited international space for Taipei came to an end with Tsai's election. In contrast to the relative structural stability provided by the consolidation of Taiwan's domestic regimes, the Tsai administration faces growing friction with Beijing and an unpredictable US president. Beijing has been turning a cold, and increasingly hostile, shoulder to Taipei following Tsai's refusal to accede to its preferred reading of the "1992 Consensus." Since Tsai's election, the PRC has stepped up its efforts to coerce ROC diplomatic allies to switch recognition. By 2019, only sixteen countries held diplomatic relations with the ROC.

The first nationwide test of Tsai's presidency and chairmanship of the DPP came about with November 2018 local elections. Since the legislature is elected as one body, these local elections approximate the feedback function of midterm elections in presidential systems. The results were a major setback for the Tsai presidency. Having previously held thirteen of twenty-two municipalities and counties, the DPP emerged with control of only six, including its first loss of a major stronghold in the south (Kaohsiung). Tsai stepped down as the DPP party chair to take personal responsibility and this was followed by the mass resignation of her cabinet in January 2019 as means for the party to take responsibility.

Structure of the Book

In Part 1 of this book, the authors place Taiwan in context by assessing its democratic and economic trajectories as well as cross-Strait relations between 1949 and 2016. Part 2 focuses on the Tsai administration from the 2016 campaign to the November 2018 elections.

We begin with Shelley Rigger, who demonstrates in Chapter 2 how state security and social stability came at the cost of political rights, civil liberties, and legalized opposition. Despite years of growing wealth and the rise of a new middle class, authoritarianism remained entrenched into the 1980s. Rigger notes, however, that although Taiwan's democratic transition may have been relatively slow in coming relative to its third-wave counterparts, democracy has become more normalized and embedded in Taiwan than in cases where the transition has happened more rapidly.

Taiwan also underwent major economic transitions, and in Chapter 3, Chien-Pin Li chronicles Taiwan's road from least-developed country to an economic "miracle" or "mini-dragon" in the 1980s and to a major economic contributor to globalization in the twenty-first century. Juxtaposing neoclassical and developmental state theorists, he argues that, in the case of Taiwan, state and market were interrelated and overlapping. As well, Taiwan's economic development was particularly subject to external actors and forces. Accepting and internalizing these two facts early on, Taiwan's economic policymakers were able to design and implement successful policies that not only produced highly effective state planning, but also allowed the marketplace and innovation to prosper.

Taiwan's political and economic development has unfolded within the central context of the triangular relationship between Taipei, Washington, and Beijing. In Chapter 4, Dennis V. Hickey discusses the several

phases of the relationship between the United States and Taiwan, from abandonment to alliance, back to abandonment, to the current state of unofficial relations. The driving dynamics, according to Hickey, have been changes in US strategic interests, China's growing economic and strategic influence, and Taiwan's ruling-party orientations toward eventual unification or independence. Hickey suggests, however, that despite momentous changes, some key features of the relationship have remained remarkably constant.

Having reviewed Taiwan's historical, political, and economic evolution, we then move on to the Tsai administration. After the 2016 national elections, and for the first time since Taiwan's "retrocession" to the Republic of China in 1945, both executive and legislative branches of government were captured by a non-KMT party, the Democratic Progressive Party. The rise of the DPP and Tsai Ing-wen's presidency are discussed by Kharis Templeman in Chapter 5. Templeman argues that the success of the DPP's ambitious policy agenda will likely be tempered by how much President Tsai and her party can accomplish within the extant ROC constitutional framework. Additionally, he addresses the question of which political reforms appear most needed, contrasted against those that may be more politically feasible. Templeman also presents two under-the-radar trends in Taiwan's institutional evolution since the first direct election of the president in 1996: the nationalization of political competition and a concomitant shift toward simple majority rule at the central government level.

In Chapter 6, Ching-Hsing Wang and Dennis Lu-Chung Weng then address the Tsai administration's social policies, such as those related to low wages, income inequality, housing prices, food safety, education, annuity reform, and judicial reform. Their study reveals the public's perception of policy priorities and intensity of various social problems, and finds that there is little public consensus on many of them. In addition, they argue that declining social capital on Taiwan further reduces the ability of the ruling party to build politically essential consensus, which represents the key policy challenge faced by President Tsai and the DPP in their efforts to address these various social policy issues.

The two political divides that Tsai and the DPP face are the questions of ethnic identity and of Taiwan's unification with Beijing under a single Chinese state. Both have been major factors in identity formation, which is the focus of Chapter 7. Looking across generational cohorts, T. Y. Wang and Su-Feng Cheng find that the main cleavages of Taiwanese society after 1949 were linguistic and ethnic. However, based on responses by younger generations, this has attenuated and the main divide is now found in differences over Taiwan's future relation-

ship with China. Wang and Cheng argue that a Taiwan-centered political narrative has emerged that emphasizes the island's cultural distinctiveness and self-determination, but that for many younger Taiwanese, this coexists with acceptance of China as a civilizational root. Lacking major economic or class divides, Taiwan is therefore characterized as having a single cleavage, which is manifested in its citizens' position on the unification/independence question.

In a major contrast to the cross-Strait political divide, China has become Taiwan's single largest trade partner. In 2018, nearly 28 percent of Taiwan's exports were going to China, with another 13 percent to Hong Kong, providing Beijing with considerable leverage over Taiwan's economy and, consequently, domestic politics. In Chapter 8, Karl Ho, Cal Clark, and Alexander Tan consider the political and structural challenges to President Tsai's New Southbound Policy as a strategy for reducing Beijing's economic leverage over Taipei and for reviving Taiwan's economic dynamism. They trace the decline of Taiwan's "miracle economy" into one of stagnation or low growth to highlight the need for new strategies and partners. Under President Ma, deeper integration with China's economy was the solution to Taiwan's slowing growth. Although Tsai has promoted less reliance on China, and political rapprochement between Taipei and Beijing has ended, growth in certain aspects of cross-Strait interaction have continued alongside a decline in other areas, such as tourism from China. Ho, Clark, and Tan find that diversification through the New Southbound Policy makes strong economic sense.

A major thread that connects all of the prior chapters is the ebb and flow of the Taipei-Beijing, or cross-Strait, relationship. In Chapter 9, Wei-Chin Lee chronicles the dynamics of the cross-Strait relationship since the Lee Teng-hui presidency. He describes the successive policy features and examines why the relationship under President Ma led to the DPP's 2016 victory and the profound political ramifications of the regime change. He highlights four major challenges that President Tsai and the DPP may face in coming years to ensure smooth and stable cross-Strait interactions in the future. These challenges include the quest for a new workable cross-Strait consensus, the intricacy and complexity of the cross-Strait political economy, the essential role of the United States with respect to Taiwan's security, and the Tsai government's coordination of diverse domestic constituencies for a solid coalition to support the DPP's cross-Strait policy.

In Chapter 10, Jacques deLisle addresses Taiwan's quest for international status under its third president lawyer and the potential benefits for its security. An important part of Tsai's agenda has been focused on

international norms and related institutions. However, how Taiwan engages with them is being increasingly challenged by a changing external environment primarily shaped by China and the United States.

In the concluding chapter, the editors provide a summary of Taiwan's political and economic regime consolidations and a discussion of the ongoing consolidation of the social regime. Relatively sequenced progress in the transition and consolidation of this set of regimes has allowed Taiwan to prosper. In the context of near-term public and economic policy challenges and opportunities, the next phases of development for Taiwan's polity are then discussed. While the polity will increasingly turn its attention to public policy debates typical of modern democracies, macro issues of national sovereignty, cross-Strait relations, automation and workforce displacement, and the scale and scope of civil society activation remain frontiers for further development.

Taiwan's trajectory over the past seventy years reveals a history of struggle and of periodic restructuring of the state, politics, and society. It also highlights how, despite constant irredentist threats from Beijing, declining diplomatic recognition, and exclusion from international governmental organizations, Taiwan has flourished into one of the wealthiest liberal democracies in Asia.

Note

1. The terms "Taiwan" and "Republic of China" are used interchangeably throughout this book.