

Prospects for Taiwan and Cross-Strait Relations: 2010-2016

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Introduction

On May 20, 2010 Ma Ying-jeou will celebrate the second anniversary of his presidency of the Republic of China (ROC) on Taiwan. Despite coming to power on a wave of optimism, the honeymoon period was short lived. For much of the last two years Ma has had public satisfaction rates between 20 and 30 percent.

As we look ahead to the next five to six years Taiwan's political elites will face severe challenges. Their ability to satisfy domestic public opinion, maintain harmonious cross-Strait relations and retain international support will determine whether Taiwan will be able to sustain its de facto independence and reputation as a model Asian democracy.

How did we get to where we are today?

Between 2000 and 2008 the Kuomintang (KMT) experienced its first taste of being an opposition party since the mid 1920s. The KMT returned to power on the back of landslide victories in the 2008 elections, winning almost three quarters of parliamentary seats, while Ma gained a record high presidential vote share of 56 percent. The scale of the KMT's winning margins suggested that Taiwan was again becoming a one party dominant political system.

The KMT's electoral successes enabled Taiwan to return to unified government, with the parliament and presidency under the control of the same party for the first time since 2000. Since coming to power, the KMT government has been most radical in changing Taiwan's external relations. This has meant that after ten years of cross-Strait stalemate, relations between Taiwan and China are at their most harmonious since the early 1990s. On the other hand, Taiwan is far less visible on the international stage and is more economically dependent on China than ever.

By January 2010 Taiwan and China had held four rounds of semi-official talks, the first such negotiations since the late 1990s. These talks resulted in a series of agreements on a range of economic issues. The most significant included opening up Taiwan to Chinese tourists, regular direct flights and shipping, and increased liberalization in their trade and investment relationship. Although cross-Strait tensions have been reduced, China has not renounced its threat to militarily retake the island and still

has at least 1,400 ballistic missiles targeted at Taiwan.

Internationally Taiwan has taken a far more low key approach. Ma has called for a diplomatic truce with China, in which they will cease trying to steal each other's diplomatic allies. In the last two years, none of Taiwan's 23 formal allies have switched diplomatic recognition. Taiwan has also abandoned its bid to join the United Nations (UN) as a full member, and instead now proposes that Taiwan first be admitted into UN specialized agencies such as the World Health Organization. One area of continuity, though, is that Taiwan continues to purchase advanced defensive weapons systems from the United States, despite the shrill objections coming from China.

Despite its huge parliamentary advantage, the KMT administration has been far more conservative domestically than its predecessor. Apart from some administrative district revisions, there have not been any radical domestic political, social or economic reforms of note.

Ma's first major electoral tests

Ma's first major public opinion tests came in the local executive elections in December 2009 and parliamentary by-elections in January 2010. Both were seen by analysts as setbacks for the KMT. Although it won 12 out of 17 executive seats, it lost control of two seats. Moreover, its vote share fell from 51.8 percent in 2005 to 47.8, while the Democratic Progressive Party's (DPP) rose from 39.5 to 45.3 percent. Even where the KMT did win in its safe seats, it only won by unexpectedly narrow margins. The by-elections in January 2010 were even more humiliating, with the KMT losing all three. Particularly noteworthy was Taitung county, which the DPP won for the first time ever. These results suggest that predictions of the DPP's demise and a KMT one party dominant system had been premature. Taiwan is once again looking like a competitive two party system.

Ma's declining popularity

Considering the consistently low public satisfaction levels with Ma these results were not entirely surprising. So how had Ma and his KMT become so unpopular so quickly?

A range of domestic and external factors have contributed to Ma's fall from grace. Firstly, like when Obama came to power, Ma's election campaign raised unrealistic expectations of change that were impossible to deliver on. This was particularly

apparent on the economic dimension, where Ma had pledged to both cut unemployment and achieve economic growth rates of six percent. However, Taiwan was hard hit by the world credit crunch, with negative growth in 2009 and record levels of unemployment.

Secondly, Ma's cabinet suffered from a reputation of weak government performance. This perception was especially widespread following its handling of the Morakot Typhoon flooding in the summer of 2009, which ultimately led to the resignations of the Premier and major cabinet reshuffle.

A third area of dissatisfaction is with the KMT's cross-Strait policies. Clearly some voters are disappointed that the advent of normal cross-Strait trade and transport has not led to the promised economic boom. Others complain that trade liberalization has undermined certain Taiwanese industries, such as the towel producers. The government also took criticism as a result of the scandal over melamine contaminated milk powder imports from China in 2008. Ma's government is commonly attacked for being non transparent in its policy making over China. For instance, despite its parliamentary majorities, recent cross-Strait agreements have not been subjected to parliamentary scrutiny or ratification. Such concerns explain why there appears to be limited public understanding of what the proposed Economic Cooperation Framework Agreement (ECFA) with China will actually contain and limited trust in the government's ability to put Taiwan's interest first in such an agreement.

The first three variables mainly apply to voters that may have actually supported Ma in 2008. However, for those on the anti Chinese side of Taiwanese politics, Ma's two years prove that Ma is hell bent on sacrificing Taiwan's sovereignty and conspiring to cooperate with the People's Republic of China (PRC) towards the goal of unification. Such accusations abound in the anti-KMT media and blogosphere.

Prospects for Taiwan and Cross-Strait relations between 2010 and 2012

With only two years remaining in Ma's first term, 2010 is likely to be a key year for Taiwan's future trajectory. Not only will developments this year be critical in cross-Strait relations they are also likely to affect Ma's reelection chances in 2012.

In the field of cross-Strait relations one of Ma's key goals is to sign the ECFA in mid 2010. However, if Ma continues to promote ECFA without seeking domestic consensus, he is likely to provoke large demonstrations and parliamentary

confrontations. Since Ma described ECFA as essential for Taiwan's economic survival, failure to achieve ECFA or a postponement would seriously undermine his credibility in those business sectors likely to benefit, within the pro China wing of the KMT and of course the PRC. If ECFA does pass, then again Ma will need to pray for a significant economic revival, which would enable Ma to claim ECFA has saved the economy. But of course, if there is little improvement or another recession, then the ECFA and Ma will be blamed.

2010 will also probably be the last window of opportunity for a breakthrough in cross-Strait relations. Most of the more consensual issues in China Taiwan relations were resolved in Ma's first year in office. Future agreements are likely to be more controversial. Now Ma is KMT chairman there is the possibility of a Ma-Hu Jintao meeting and even discussions of an interim peace agreement. However, once we get into 2011, the next presidential election campaign will be starting. Once it has begun, Ma will become far more conservative on cross-Strait compromises for fear of being accused of selling Taiwan out to China. This means that if there is not a major breakthrough in 2010, then we are likely to see increased levels of impatience with the pace of cross-Strait integration from both the Chinese government and Chinese nationalists on both sides of the Taiwan Strait.

Another critical factor will be the elections to be held in December 2010. These will be for Taipei City, New Taipei City, Tainan City, Kaohsiung City and Taichung City mayors. These districts account for over 60 percent of the country's population. Following the last round of elections the DPP seems to be in the ascendancy, but whichever party wins three of these five mayoral districts is likely to gain a considerable momentum for the presidential election in 2012.

Nomination will also play a key role in determining which of the two main parties will triumph in 2012. In 2008 the DPP suffered from a divisive presidential primary that damaged the party's general election prospects. The DPP will need to find a mechanism for achieving internal consensus on nomination. At this stage, former premiers Frank Hsieh and Su Chen-chang, along with current party chairwoman Tsai Ying-wen all look potential presidential candidates. Nevertheless for the DPP to be electable in 2012, it cannot solely rely on the failures of the Ma administration. Instead the DPP will need to find new issue appeals and a more realistic cross-Strait policy in order to convince the key battleground swing voters that it is not just a party that only knows how to oppose.

Even now it still is hard to imagine that anyone other than Ma will stand for the KMT in 2012. However, if current trends continue, the possibility of an internal challenger cannot be ruled out. The degree that some within the party have begun to see him as a liability was apparent in the way that he was largely absent from campaigning in the recent by-elections. Moreover if the KMT does do badly in the 2010 mayoral elections, Ma's authority is likely to be seriously eroded and this would probably force him to resign as KMT chairman. In this kind of situation and if there are problems in cross-strait relations, then an internal KMT challenger could emerge from either the localized side of the party, such as parliamentary speaker Wang Jin-ping or from the pro China wing.

A final factor that could influence the outcome of 2012 elections is China's Taiwan policy. China is in a contradictory position over Ma and the KMT. On the one hand it is in their interests to see him reelected, and so needs to find ways to boost his support levels. For instance, initiatives that show Taiwan is gaining economically from cross-strait ties, such as Chinese tourists or investment, or offering Taiwanese producers preferential access to the Chinese market all fall into this category. Similarly, not poaching Taiwan's diplomatic allies and giving it limited international space, are also designed to help Ma. On the other hand, if the PRC's support for Ma is too overt, there is a strong possibility he will be seen as too soft or pro China, something Taiwanese voters tend to dislike.

China will have to be very constrained if it does want to help Ma win election. For Ma to win he will need to keep his distance from the PRC and return to a Taiwan centred appeal once the presidential campaign gets started in early 2011. This is likely to mean that progress on cross-strait agreements will be stalled for most of the campaign. This would no doubt lead to growing impatience among Chinese nationalists and could lead to direct or more likely indirect criticism of Ma's China policies. If China is critical of Ma's government this would also force Ma to take a strong line on China. Another possible scenario that could induce the PRC to get involved in the election would be if it actually thought the DPP had a strong chance to win and was employing anti-China campaign appeals. This might lead the PRC to threaten Taiwanese voters of the dire consequences of voting DPP. When the PRC tried this tactic in 1996 and 2000 it backfired seriously and helping its least favoured candidates to win election.

Currently it is too early to be sure whether the KMT will be able to hold on to power in 2012. The presidential election is likely to be a closely fought contest, while even if

the KMT wins a parliamentary majority, it will be a much reduced majority. It is even possible that 2012-16 will again see a period of divided government with the president and parliament controlled by different parties. In short, Taiwan will once more be a competitive two party system.

Scenarios for 2012-2016

Taiwanese voters are bombarded with surveys on national identity and cross-Strait relations. Surveys most commonly ask whether voters prefer unification with China, independence or maintaining the current de facto independence, known as the status quo. Thus when we look ahead to the medium term future or the next presidential term of 2012-2016, it is useful to think in terms of similar scenarios. Which scenario is more likely will depend on three core variables: (1) domestic Taiwanese politics, in particular who wins the 2012 elections and the ability of the winners to deliver good economic governance and strengthen its democracy (2) the cross-Strait policies pursued by Beijing and Taipei (3) Taiwan's ability to obtain international support.

Back in the early 1990s Simon Long suggested there were six potential future scenarios for Taiwan¹: These were (1) continuation of the status quo, (2) reunification under Beijing's one country two systems, as used in Hong Kong, (3) reunification under Taiwan's terms, (4) independence, (5) reunification by military means, (6) peaceful reunification on a compromise formula, preserving Taiwan's de facto independence.

Twenty years later, Long's framework still offers a useful way to analyze potential future developments in the Taiwan- China relationship. The only one of his scenarios that we should discount completely is reunification under Taiwan's terms. Taiwan no longer talks of unifying China under Sun Yat-sen's three people's principles nor does it contest the PRC's sovereignty over the mainland. I will next discuss the remaining five potential scenarios.

(1) A continuation of the status quo.

There have been claims since the early 1970s that the status quo is untenable. Writing in 1991 Long suggested that maintaining the status quo is most probably impossible. Twenty years later it remains surprisingly intact.

A continuation of the status quo is most likely if 2012 produces a divided government in which the presidency and parliament are controlled by different parties. This

would prevent either from radically changing cross-Strait relations. However, the status quo would also be the probable preferred option even if the KMT or DPP wins unified government. This is because there is a tacit consensus at the elite level that the status quo is the best solution for the medium term. For instance, in reality Ma's 2008 inaugural speech call for "no unification no independence and no war" is little different in substance from the DPP's guiding stance on cross-Strait relations that argues there is no need to declare independence as Taiwan is already independent.² Similarly since reliable surveys have been conducted, something like 60% of voters have consistently opted for the status quo as their preferred solution. In contrast, independence and especially unification are no more than niche appeals.

For Taiwan to maintain the status quo it will be necessary to strengthen the quality of its governance. Thus for instance, it will need to work on delivering the kind of economic growth required to meet the employment needs of its highly educated workforce. It will also need to work address social issues, particularly important will be dealing with the growing income gap between rich and poor. Lastly, there is a need for political reforms to the electoral system. The constitutional reforms of 2005 created an electoral system that was highly disproportional, this needs to be rectified. Another defect is the lack of the requirement for a presidential runoff where the winning candidate fails to get over 50 percent of the vote. Rectifying these issues will help to resolve the problems of insufficient government legitimacy.

Externally maintaining the status quo relies both on the acquiescence of the United States and China. For the United States, a stable status quo is the ideal scenario. It can still profit from arms sales, tout Taiwan as a model democracy, contain China and avoid Taiwan becoming a divisive issue in Sino-American relations.

The status quo is naturally not satisfactory for the PRC and nor its Chinese nationalists bloggers. However, after the bitter experience of the Lee Teng-hui and Chen Shui-bian years, the status quo is no longer as terrible as it once seemed. In other words, there was a subtle shift in PRC Taiwan policy after 2000 from promoting unification to avoiding independence. A stance that can be equated with the status quo, at least in the short term. Naturally the biggest external obstacle to maintaining the status quo will be whether or when the PRC becomes impatient with the pace of cross-Strait integration. The PRC will try to gradually undermine or erode Taiwan's de facto independence. However, the PRC challenges to the status quo are likely to be the result of internal elite and domestic pressure and if there is a perception that no progress is being made towards reunification.

(2) Reunification under the one country two systems

Reunification under the one country two systems remains the official PRC policy. Under this formula Taiwan would retain a degree of autonomy, on slightly better terms than Hong Kong or Macau has today. One reason that the PRC has found dropping this so hard is that it was the brainchild of Deng Xiao-ping. The problem with one country two systems is that it has never been popular either at the elite or mass levels within Taiwan. Opinion surveys going back the last ten years show how unpopular the proposal is in Taiwan. Surveys consistently found between 80 and 70 percent of voters were opposed to the formula. Taiwan's political elites are also aware of this unpopularity and thus not a single mainstream politician has ever come out in support of it. The only exception was the Chinese nationalist New Party, which did take a position close to the formula in 2001. However, the fact that the NP only held one out of 225 parliamentary seats between 2000 and 2008 and is now seat less, tells us of the unpopularity of their message. Of course it is possible that public and elite opinion could shift as a result of closer economic ties and increasing people to people contact. However, such an earthquake change in public opinion is unlikely in the near future.

The idea of the PRC actually creating its own political party in Taiwan, in the same way as in Hong Kong has been discussed as a way to promote its policies has been discussed in the China. However, even if it were well funded, Taiwanese public opinion is unlikely to support such an undertaking.

(3) Unification under Taiwan's terms (discounted as too improbable)

(4) Independence.

At this point we should be clear that what we mean by independence is a new Taiwan constitution, flag, national anthem and most importantly declaration of a Republic of Taiwan. This is the preferred eventual outcome for many politicians in the DPP and among hard-line Taiwanese nationalists. However, recent surveys show that only 20 percent of the population support this outcome, compared to over 60 percent preferring the status quo, thus the independence market is not sufficient to win national office. The DPP politicians are aware of this, so it is unlikely even if they won both elections that they would pursue this option.

Taiwanese voters when asked if they could accept independence if it could be achieved peacefully generally say "yes." However, both elites and mass opinion is

aware that the PRC would probably react militarily in the event of an independence declaration. This was one of the key lessons Taiwan learnt from the 1996 missile crisis. For independence to be achieved it would either require China to accept Taiwan's formal independence or a cast iron security guarantee to protect its independence from the USA. The former is unimaginable in the foreseeable future. Even if China's leaders came to the conclusion that accepting a Republic of Taiwan was in their national interests it is unlikely that they could resist the pressure for action from domestic public opinion and the military. Although the US is generally ambiguous on its security guarantees, in 1998 Bill Clinton made his three noes statement, in which he pledged that the US does not support Taiwan independence, Taiwan's entry into bodies that require statehood (such as the UN) or one China, one Taiwan or two Chinas solution. The US position can be read that it would not support Taiwan in the event of a PRC attack after the declaration of de jure independence.

(5) Reunification by military means.

This option must remain a distinct possibility despite the recent improvement in cross-Strait relations during Ma's first term. When China passed its Anti Succession Law in 2005, it set out under what conditions China would use military force against Taiwan. Key conditions were if Taiwan were to declare a Republic of Taiwan or when possibilities for a peaceful reunification should be completely exhausted. Thus if Taiwan indefinitely refused to come to the negotiating table to discuss political integration, the PRC could in theory be obliged to resolve the Taiwan question by military means.

But how likely is it for Taiwan to actually cross the PRC's red line? If the DPP were to win both the presidency and parliamentary elections in 2012, a move towards formal declaration of Taiwan independence and promulgating a new Taiwan constitution would be possible. However, this would require extremists to dominate the party, and currently none of those touted as potential presidential candidates fits that bill. Moreover, a constitutional amendment requires the support of three quarters of parliament. Considering the DPP currently only holds a quarter of seats, the chances of it increasing its seat share from 75 percent in 2012 is not so high. The DPP has learnt to its cost that radical Taiwan independence is not a vote winner, so it is likely to take a more cautious cross-Strait line even if it does come back to power in 2012.

If the KMT wins both elections or if there is a divided government on Taiwan the chances of Taiwan crossing the PRC's red line on independence are even lower. It is of course likely that this if this kind of government takes a conservative stance on

cross-Strait relations it would create impatience on the PRC side and could lead military hawks and Chinese nationalists to call for a military solution based on the Anti Succession Law. Nevertheless, within the timeline up to 2016 this is not so likely to be judged as having exhausted all possibilities for peaceful unification.

When we consider the military option the other external factor that needs to be taken into account is whether the US would intervene to save Taiwan. Here the US has been consistently ambiguous. But by reading between the lines we can explain the position as the US would probably not support Taiwan if it deemed its actions were unnecessarily provocative (such as declaring independence). If Taiwan was unable to secure US support, PRC military action would almost inevitably succeed. However, if China was deemed as the aggressor, there is a strong chance that the US would intervene and thus the prospects for successful unification would be lowered. For example, if the PRC used Taiwan's refusal to enter into unification talks as an excuse for military attack, the US would probably be obligated to intervene.

(6) Peaceful reunification on a compromise formula, preserving Taiwan's de facto independence.

Over the last few years a number of politicians on both sides of Taiwan's political spectrum have raised ideas for some kind of cross-Strait compromise solution. These have included proposals for a Chinese confederacy, a two Chinas model or European Union style integration. In these models the Republic of China government would remain intact but both sides would belong to a loose Greater Chinese union. Such a solution would probably be acceptable to Taiwanese public opinion, as most voters could accept such a form of unification (so long as it is not called unification) under the right design. Also this would be a preferable solution for many in the pro China wing of the KMT.

Nevertheless such a development would need to overcome a series of formidable hurdles. Firstly, this would require the KMT to maintain its unified government and super majority in the parliament, as such a radical constitutional change would require support of three quarters of legislators. Based on current opinion surveys it looks unlikely that the KMT again gain such a large majority in 2012. Moreover, such moves would require a high degree of elite and mass consensus, something which the KMT has shown itself incapable of in its first two years in power.

A greater obstacle will be from the PRC. For not only would it need to accept its one china two systems model was a failure, it also would need to accept a formula which

in effect means recognizing two Chinas. Although this is preferable to Taiwan independence, China has shown no signs of even considering such an option in the last four decades.

Lastly for such a model to work it would require a genuine security guarantee, in which China renounces the right to use force against Taiwan and Taiwan would also probably hope that the US would offer a security guarantee or at least continued defensive arms sales. Both these conditions would be hard for the PRC to accept. In fact it is doubtful that the PRC will have the required flexibility for such a solution in the next six years.

Conclusion

A range of domestic and international factors will determine which direction China Taiwan relations move towards over the next six years. My analysis suggests that the most likely scenario by 2016 will be a continuation of the status quo, in other words maintaining Taiwan's de facto political independence. It is also possible that by 2016 the first steps towards a compromise formula will have been taken, though this will require a new level of flexibility from political elites on both sides of the Taiwan Strait. The hopes of Chinese and Taiwanese nationalists for more drastic solutions of reunification or independence are likely to be dashed in the foreseeable future.

¹ Simon Long, *Taiwan: China's Last Frontier* (London: Macmillan, 1991).

² The DPP's position is outlined in its 1999 Resolution on Taiwan's Future, which also accepts that the ROC is the title of the country.