
TAIWAN IN 2001

Stalemated on All Fronts

Yu-Shan Wu

Taiwan (the Republic of China, ROC) in 2001 lived under the impact of the historic 2000 presidential elections in which the Kuomintang (KMT) for the first time lost its grip on the central government. The winner of the presidential elections, the charismatic Democratic Progressive Party's (DPP) leader Chen Shui-bian, faced stern challenges from three fronts. Politically, Chen had to live with a KMT-dominated Legislative Yuan that has the power to cast a vote of no confidence on Chen's DPP government. Economically, Chen had to navigate between the DPP's avowed anti-nuclear position and the business sector's insistence on continuing the construction of Taiwan's controversial fourth nuclear power plant. In terms of cross-strait relations, the DPP's pro-independence stance dashed any chance to improve Taipei's relationship with Beijing. On top of all these challenges, Taiwan found itself in the middle of a worldwide economic recession. Taiwan in 2001 thus witnessed an unprecedented economic crisis accompanied by a domestic political stalemate and cross-strait impasse. At the end of the year, parliamentary elections were held that deprived the KMT of its majority position in the Legislative Yuan. They also gave the DPP and its new ideological ally, the Taiwan Solidarity Union (TSU), a total of 100 seats in the 225-seat Legislative Yuan. President Chen is counting on a more efficient government now that the parliamentary opposition has been curtailed, a world economic rebound, and the hope that Beijing will be forced to negotiate with him. It seems doubtful, however, that the President will get what he hopes for as Taiwan navigates into 2002.

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Political Stalemate

A French-style semi-presidential system was established in 1997 with a directly-elected president wielding great powers and a government headed by the prime minister that is responsible to the Legislative Yuan. The president was granted the power to appoint the prime minister without the consent of the parliament. A real test for the 1997 system came in 2000, when Chen Shui-bian was elected president of the ROC while the Legislative Yuan was still dominated by the KMT, the previous ruling party. After his inauguration, President Chen was faced with two alternatives. He could either form a coalition government with the opposition parties and smooth presidential-parliamentary relations at the expense of his control over the cabinet, or he could appoint a DPP minority government that served his will and face the wrath of the opposition in the Legislative Yuan.¹ Chen eventually opted for the latter. He picked Chang Chun-hsiung, a DPP politician, as his prime minister in October 2000, after the transitional Tang Fei cabinet was toppled amid controversy over the fourth nuclear power plant.

Chang's government from the beginning was not welcome to the parliament. The abrupt announcement on October 27 scrapping the power plant poisoned DPP-KMT relations to such a point that the KMT parliamentarians began collecting signatures to impeach the president. Although nothing came of this hostile posturing, tension remained high throughout 2001. The KMT called for a coalition government that could command majority support from the parliament. The DPP dared the KMT to vote no confidence in the Chang government, which would certainly trigger the parliament's dissolution by the president. A political stalemate ensued, as the KMT, fearing that direct confrontation with the government would deprive the party of its parliamentary majority, chose to boycott many of the government's policies in league with the other two "pan-blue" parties, James Soong's People First Party (PFP) and the New Party (NP).² The KMT, the PFP, and the NP formed a "pan-blue" united opposition in the Legislative Yuan that effectively stymied the DPP government's actions. This divided government situation was unprecedented in the ROC, as the KMT in the past always controlled both the executive and legislative branches of the government. With the two branches

1. For Chen's dilemma and his choice, see Yu-Shan Wu, "The ROC's Semi-presidentialism at Work: Unstable Compromise, Not Cohabitation," *Issues and Studies* 36:5 (September/October, 2000), pp. 1-40.

2. Blue is the color of the KMT. Since the NP and the PFP splintered from the KMT in 1993 and 2000, the three parties have the same roots. It is thus reasonable to call the three "pan-KMT" parties. However, owing to the rivalry among the three and the natural dislike on the part of the PFP and the NP to be called "pan-KMT" parties, they are now grouped together under the rubric of "pan-blue army" (*fanlanjun*) in journalistic accounts.

in the hands of opposing parties, conflict and sometimes paralysis have ensued.

As political stalemate persisted into the latter half of the year, Taiwan's political landscape experienced an earthquake as former President Lee reentered national politics with a vengeance. Lee had been forced to resign as chairman of the KMT after the 2000 presidential election fiasco in which his handpicked candidate, Lien Chan, garnered a mere 23.1% of the popular vote. Because of Lee's nativist (*bentu*) inclination, he was widely suspected of tacitly collaborating with Chen Shui-bian, who had ardently sought Lee's endorsement during the campaign. After the elections there was mounting pressure for Lee to resign, which he resisted until his comrade-turned-arch-enemy James Soong formed the People First Party (Qinmindang). The founding of the PFP precluded the possibility that Soong might return to the KMT and capture party leadership, despite his impressive electoral performance (he garnered 36.8% of total vote, just 2.5% short of Chen Shui-bian's vote share). Lee thus left the KMT with great personal resentment, but he was sure that Soong would not be able to return and lead a united KMT. In the following months, Lee saw the KMT led by Lien Chan tilting toward the unification end of Taiwan's political spectrum and felt betrayed. The KMT's tilt mainly had to do with the party's need to find a political market niche now that the ruling DPP had taken a new middle-of-the-road line. Lee, however, interpreted this as the KMT harking back to its old line under Chiang Kai-shek and Chiang Ching-kuo. Lee and a group of marginalized KMT politicians then decided to launch a new party, the Taiwan Solidarity Union (TSU), with the sole mission of helping President Chen consolidate the government's nativist line and resist the unification pressure from Beijing. Lee was particularly critical of Lien Chan and James Soong, considering them elements of an "alien regime" (*wailai zhengquan*). Lee thus reentered the political stage with a vengeance and disturbed the delicate balance among the existing political parties.

Economic Recession

Taiwan's economy went into a tailspin before the world economy ground to a halt. The main reason was the DPP's anti-business stereotype and the political conflict between the president and the parliament, particularly over the on-again, off-again construction of the fourth nuclear power plant. Right after Chen's inauguration, domestic investment began to plunge, as the business sector was unsure of the new government's economic policy.³ Before

3. Besides the controversy over the construction of the fourth nuclear power plant, the DPP had been known to take a pro-labor and pro-welfare stance prior to its political ascendancy. That image was swiftly tattered as the DPP and the KMT exchanged policy positions right after

the impact of this investment halt was fully felt on the island, the government and the opposition clashed head-on over the nuclear plant. The DPP had long been a fervent opponent of the KMT government's nuclear policy, to the extent that an anti-nuclear clause had been inserted into the party's platform. Because the power plant had been under construction well before the DPP came to power in May 2000, an immediate dilemma was posed for President Chen, who had to decide on the fate of the plant. He could scrap construction to honor the DPP's environmentalist commitment but at the expense of strong opposition from the KMT and business circles, or he could continue construction so as not to rock the boat but face a backlash in his own camp. Chen equivocated until he finally gave in to environmentalist pressure and let Premier Chang Chun-hsiung announce the termination of construction work on October 27. The KMT was understandably furious, particularly with the announcement coming right after a truce talk between Chen and KMT Chairman Lien Chan, in which Lien offered his compromise plan on the issue. The response from the stock market was such that it has still not recovered.⁴ Further hit by an international slowdown, Taiwan's economy began its tailspin. Growth declined from nearly 8% in early 2000 to an unthinkable minus 4% at the end of 2001. Unemployment shot up to 5.3%. Both exports and imports shrank precipitously by over 20%, particularly on the import side, giving Taiwan an unhealthy trade surplus in 2001. All those figures are unprecedented in the history of post-World War II Taiwan. The September 11 terrorist attacks in the U.S. came at the worst time for Taiwan, for they pretty much dashed the hope of riding a fourth-quarter buying spree in the U.S. to a recovery of Taiwan's export-led growth. The economic picture was indeed dismal.

Amid bad news on the economic front, the DPP government attempted several rescue plans, including 11 interest rate cuts and numerous direct interventions into the stock market through the National Stabilization Fund and other government funds. The government went so far as to backtrack on its previous decision to scrap the fourth nuclear power plant, and then resume its construction,⁵ even though the DPP still maintained its anti-nuclear position.⁶

Chen's inauguration. The KMT suddenly demanded a radical reduction of weekly work hours from the current 48 to 42 (84 hours every two weeks), while the DPP government attempted in vain to uphold a previous 44-hour compromise reached by business and labor. See "Cabinet Wants 44-Hour Workweek," *Taipei Journal*, December 1, 2000, p. 3.

4. The Weighted Index of Taiwan's stock market stood at 9,500 points in the first quarter of 2000. It fell to 4,500 points prior to the 2001 parliamentary elections. The total market value of the stocks shrank by more than 40%.

5. An agreement between the cabinet and the Legislative Yuan was signed on February 13 to resume construction of the fourth nuclear power plant. *Taipei Journal*, February 16, 2001, p. 1.

6. See "Terminating the Fourth Nuclear Power Plant Project: Taking Responsibility for Our Next Generation," Democratic Progressive Party, December 2000 <<http://203.73.100.104/>>.

Recognizing the importance of cross-Strait relations, the Mainland Affairs Council (MAC) announced the "three mini-links" that opened up direct trade and travel links between the small offshore islands of Kinmen and Matsu and mainland China. This was a unilateral move, since there were no talks between Taipei and Beijing beforehand. As the mainland did not want to give President Chen any credit prior to his recognition of the 1992 consensus that accepts the "one-China principle," the three mini-links amounted to no more than Taiwan's decriminalization of the hitherto illegal small trade between fishermen from the two sides. As such, the move did not have any perceptible impact on Taiwan's economic growth.

Along the line of the three mini-links, President Chen also launched the Economic Development Advisory Conference in August in the hope of reaching a consensus on ending the "no haste, be patient" policy that restricted Taiwan's investment on the Chinese mainland.⁷ Chen's move was perceived as a vital step away from the DPP's ideological stance of economic independence from the mainland, but also as a public relations stunt by Chen to show how much he cared about the economy and was endeavoring to make the necessary concessions to bolster it. The opposition parties joined the conference for fear of appearing uncooperative about salvaging the economy and out of their own partisan interests. In the end, the government got what it wanted but waited several months before genuine moves were taken to scrap the "no haste, be patient" policy. In November, on the eve of Taiwan's long-awaited admission to the World Trade Organization (WTO), the MAC announced abandonment of the investment restrictions imposed in the aftermath of Beijing's missile scare in 1996. It is true that investment reviews and other hurdles remain, but the upper limit on investment volume was lifted and direct investment was allowed. The government waited until the last minute to take the moves that WTO entry necessitates. As with the opening of the mini-links, one finds no exuberant response from the mainland. An impression was made, however, that the DPP was sincere in making efforts to handle the country's economic crisis.

Taiwan's entry into the WTO, set for the beginning of 2002, will certainly send shocks to its feeble economy and probably boost unemployment. In the long run, everyone is expecting productivity gains and expanded trading opportunities. From the DPP government's point of view, WTO membership provides not only economic benefits but also an opportunity to internationalize the Taiwan issue and a safe channel for dealing with mainland China. It also offers an equal status for Taipei in talking to Beijing. The potential cost

7. The conference came up with a total of 314 proposals put forward by five different panels, on everything from tax cuts to increased rights for employees and unions, besides the opening of direct links with China and the end of the "no haste, be patient" policy.

is that Taiwan will have to open up its market for products from the mainland, a move that will certainly further increase Taiwan's trade dependence on its giant neighbor, currently running as high as 11%. The government is now walking a tightrope.

Cross-Strait Impasse

One of Chen Shui-bian's claimed achievements during his 18 months in office is that he stabilized cross-Strait relations. As a DPP politician, Chen made a great concession by accepting unification and the one-China principle as an option for Taiwan, although at the same time he took pains to keep the possibility of independence alive. To establish a sovereign and independent Republic of Taiwan is still Article 1 of the DPP's party platform.⁸ For Chen, not to exclude the possibility of unification with the Chinese mainland is his maximum concession and hence his government has refused to acknowledge the existence of the 1992 consensus that long served as a premise for cross-Strait dialogue. In 1992 the practical need for Taipei and Beijing to enter into some kind of functional dialogue over issues such as fishing disputes, document notarization, and deportation of illegal emigrants prompted the two sides to reach a *modus vivendi* on their conflicting sovereignty claims. Both were in favor of "one China," even though they had different versions of that "one China."⁹ Presumably Beijing would insist that the People's Republic of China (PRC) is the sole legitimate China, while Taipei would claim that the ROC is the one China. Whether that understanding was put in writing is a technical matter that should not blur the big picture: at the beginning of the 1990's, Taipei felt no qualms about its Chinese identity and had no intention of breaking away from its historical bond with the mainland. As time progressed, Taiwan under the leadership of Lee Teng-hui tilted towards *de facto* independence, a trend culminating in Lee's "two-state theme" of July 1999. On the mainland side, Beijing saw the 1992 consensus as a pretext for Taiwan to seek international recognition and refused to honor it. As a result both sides abandoned the consensus. It was only after Chen's inauguration and his refusal to acknowledge the existence of the 1992 consensus that Beijing suddenly became an ardent advocate of that historical understanding. Chen's acceptance of the existence of the 1992 mutual understanding on one China has now become a precondition for Beijing to talk with the DPP gov-

8. In order to strike a balance between the DPP's ideological commitment and the need to appeal to voters in the middle of the unification/independence debate, the DPP's National Congress reached a decision in October 2001 that made its "1999 Resolution Regarding Taiwan's Future" equal in status to the "Taiwan independence" clause in the party's platform. The resolution recognized the Republic of China as the official name of the country. This was considered a concession by the independence-minded DPP.

9. This is called "one China with different interpretations" (*yige Zhongguo gezi biaoshu*).

ernment. On the DPP's part, it has only recognized the "1992 spirit." To acknowledge the "one China with different interpretations" formula suggests the abandonment of independence as an option for Taiwan and that is below the DPP's bottom line.

Since President Chen refused to acknowledge the 1992 consensus and commit himself to the course of unification, Beijing decided not to deal directly with him or respond to Taiwan's cross-Strait initiatives for fear that Chen might score political points from Beijing's cooperation. The result is an impasse. Beijing was sensitive to Taiwan's ties with the U.S.,¹⁰ particularly in the aftermath of the EP-3 surveillance plane incident of April 1, which was followed by President George W. Bush's remarks that the U.S. would do "whatever it took to help Taiwan defend herself" in the event of an attack by mainland China.¹¹ U.S. arms sales to Taiwan are another open sore for Beijing. In April, the Bush administration revealed an arms sales list for Taiwan that contained a formidable array of weapons. The sale of four Kidd-class destroyers and eight diesel-powered submarines was of particular significance for their impact on the cross-Strait military balance. With the U.S. offering firm support, President Chen found it sufficient to make pliant remarks to mainland China without modifying the DPP's basic stance.

Besides Chen's tactical flexibility and U.S. support for Taiwan, cross-Strait relations were stabilized by the mainland's expectation that if the current economic trend continued, Taiwan would no longer be able to sustain its economic superiority vis-à-vis the mainland, hence the island would be absorbed into the embrace of the "motherland" in a natural manner. Taiwan's second wave of mainland investment fever, which coincided with the DPP's ascendancy to power and Taiwan's economic downturn, demonstrated to the Communist leaders in the Forbidden City that Taiwan could be snapped up without resort to military means.¹² Chen's many goodwill gestures are understood in Beijing as a reflection of Taiwan's weakened economic base and its dire need for the mainland market. Taiwan's downturn and the mainland's upswing over the preceding 18 months were so obvious that Beijing's anxiety over Chen's independence proclivity was significantly allayed. Paradoxically, Taiwan bought a ticket to security with its economic paucity.

10. Chen made an open overture to the U.S. and Japan for military cooperation with the ROC in an interview with the *Washington Times* in March, which caused Beijing to criticize Chen as "playing with fire." See "Chen Calls for Military Ties with US, Japan," *Taipei Journal*, August 3, 2001, p. 2.

11. "Bush Pledges Whatever It Takes to Defend Taiwan," *CNN Allpolitics*, April 25, 2001.

12. The first mainland fever started with the initial contact between the two sides and Beijing's dire need for foreign investment in the aftermath of the Tiananmen Incident and the international sanctions that followed it.

The Year-End Elections

Even though Taiwan experienced unprecedented political stalemate and economic recession with the inauguration of the DPP government, President Chen was able to persuade his supporters that this was all caused by the boycotting of the opposition parties. Hence, in Chen's view, the right choice in the year-end parliamentary elections was to vote for the DPP candidates so that the president could be free to exercise his power and straighten out the political and economic mess. Also, the DPP cleverly applied the tactics of whipping up nativist, anti-China feelings that many people harbor and accused the KMT-dominated opposition of collaborating with the PRC. The 1992 consensus supported by the pan-blue parties was mocked by President Chen as equivalent to Beijing's "one country, two systems" idea and plans for "the abolition of the ROC."¹³ Thus, the main theme of the campaign was no longer the economic crisis that the country was now facing and how to manage it, but rather "political correctness," the clash of national identities, and even the sub-ethnic cleavage among the people in Taiwan.

This shift of campaign theme was initiated by none other than former President Lee Teng-hui, through the vehicle of the Taiwan Solidarity Union. Lee's stated goal was to capture the left-wing supporters of the KMT, i.e., those in the traditional KMT fold but with a nativist inclination. He calculated that the TSU would be able to add 35 seats to the 85 seats that the DPP was expected to win, thus forming a majority in the Legislative Yuan. It turned out that with Lee's stark nativist rhetoric, the TSU slipped to the extreme end of the spectrum and competed with the DPP for fundamentalist, pro-independence votes.¹⁴ Ostensibly, this would hurt, rather than help, the DPP. However, Lee and the TSU did initiate the shift of campaign theme from the economy to national identity. This was intrinsically favorable to the DPP, which had great difficulty defending the government's economic record. President Chen and the DPP strategists then took advantage of Lee's rhetoric and skillfully turned the campaign into a referendum on whether to reject mainland China's attempt to absorb Taiwan. As the election date approached, Taiwan's voters found they were stuck with a choice between nativist and pro-unification lines. The crisis of the economy was left on the back burner.

It was in this political context that the episode of Taipei's withdrawal from the Asia-Pacific Economic Cooperation (APEC) summit in Shanghai unfolded in October. The DPP government initially was interested in sending

13. See *China Times*, November 25, 2001, p. 2.

14. Lee on November 29 went so far as to dismiss the very existence of the Republic of China. For this and many of his campaign remarks, Lee turned himself into one of the most radical advocates of Taiwan independence.

President Chen to Shanghai for the summit meeting. When it was realized that Chen could not go, the government still sought to somehow elevate Taiwan's participation level, hence the choice of former Vice-President Li Yuan-zu as Chen's envoy to Shanghai.¹⁵ Li's choice was a welcome decision in Taiwan, as the opposition could not find any fault with it, but it turned out to be a blunder in cross-Straits relations. Without first checking with the PRC host, which in the past has insisted that Taiwan could only send economic officials or cross-Straits negotiators, Taipei announced its choice of Li and hoped Beijing would swallow it. The ultimate result was a rejection by Beijing and Taiwan's delegation withdrew from the Shanghai APEC meetings in protest.¹⁶ Taiwan's attempt to elevate its participation level thus ended up in its total absence. The nation was angered. President Chen may not have deliberately provoked Beijing in order to whip up anti-China feelings in Taiwan for the DPP's political interest, but the incident indeed played into the president's hands and helped in the reorientation of the election onto identity issues.

The result of the elections demonstrated how effective Lee and Chen's strategy was. The DPP's vote share for the Legislative Yuan rose to 33.4%, a 3.8% gain compared with the party's 1998 performance. As a result, the DPP at year's end had 87 seats in the parliament, compared with 70 in 1998. Lee Teng-hui's TSU garnered 7.8% of the popular vote and 13 seats. In contrast, the KMT got only 28.6% of the vote and 68 seats, a drop of 17.9% and 55 seats. This was an unprecedented setback for Lien Chan. However, the KMT's losses were the PFP's gain. The PFP rose to prominence by capturing 18.6% of the vote and 46 seats. It is fair to say that the pan-blue camp did not lose miserably, for together they still hold a majority in parliament. The major change was that voters shifted their support from one blue party (the KMT) to another (the PFP), thus changing the partisan balance of power in the pan-blue camp. This is something that has been widely expected since the 2000 presidential elections, in which the KMT's Lien garnered only 23.1% of vote compared with Soong's 36.8%. The DPP did gain, however, in the sense that it was able to increase its political power in the parliament despite the dismal economic situation. It also gained in that with the TSU's

15. Since 1993, when the first meeting of APEC heads of state was held near Seattle, Beijing has pressured the event's organizers to block the participation of Taiwan's president, premier, and vice premier at the annual summits. Taiwan has in the past sent its economic affairs minister and its chairman of the Council for Economic Planning and Development, as well as Koo Chen-fu, Taiwan's top negotiator with mainland China, to attend the APEC summits in the president's stead.

16. Taiwan's Economics Minister Lin Hsin-yi was bluntly shut up when he tried to elaborate on Taiwan's position in a news conference hosted by Tang Jiaxuan, the PRC's Foreign Minister. Taiwan's TV audience was incensed by what they saw as yet another bullying action by mainland China.

support the green parties have captured 100 seats, only 13 seats short of a majority. President Chen now can form a DPP minority government, a DPP-TSU green government, or a green government with KMT defectors filling some ministerial posts. The KMT faces the danger of seeing its nativist wing defecting to the DPP side, which would almost inevitably touch off a counter-defection of its right wing to the PFP side. Identity voting reversed the fates of the DPP and the KMT. It also polarized Taiwan's political stage by lending weight to the PFP and the TSU, the two political parties standing closer to the ideological poles than the KMT and the DPP.

The election strengthened Chen's grip on power, but the opposition in the parliament is still capable of blocking his policies. The hope for a meaningful dialogue with Beijing remains elusive. It is true that the DPP's consolidated position may force the Communist leaders in China to rethink their policy towards Taiwan, but the incoming 16th Congress of the Chinese Communist Party and all the pre-Congress power infighting may prove an effective constraint on any attempt toward cross-Strait reconciliation. This is because it is usually difficult to expect foreign-policy concessions from incumbents when they are facing serious domestic political challenges. With Taiwan's elections over, Beijing is gearing up for its power contest. We have seen how cross-Strait relations were held hostage to the need to maximize votes in Taiwan. It is unrealistic to expect power contenders in Beijing to risk their political fortune to extend reconciliatory overtures to Taipei before the power struggle is settled in the Forbidden City.

Chen's last hope is for the international economy to bounce back so that Taiwan's economic downturn can be stopped. Whether that will happen is for anyone to guess. A swift return of the world economy to its normal growth pattern may prove a mixed blessing for the DPP government, for it would then have to bear the burden of demonstrating its ability to lead a rapid recovery of Taiwan's economy once the world was doing well. The DPP government has to show that it can manage the economy as effectively as it can campaign. In a nation so used to high growth, no political party can cling to power long without proving itself to be an effective economic manager. In sum, President Chen will find his job not much easier than before the parliamentary elections. Taiwan may remain stalemated on all fronts.