TAIWAN IN 2002

Another Year of Political Droughts and Typhoons

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Abstract

Taiwan's streak of bad luck continued in 2002, as economic and political stagnation plagued the island. Cross-strait relations suffered from President Chen Shui-bian's mid-summer reference to "a country on each side of the Strait," although Beijing's sense that the long-term prospects for unification are improving permitted a moderate response. Taiwan's domestic political scene was troubled by partisan divisions and disagreements over how best to manage an economic recession, now in its third year. By any measure—economic, political, or diplomatic—Taiwan's misfortunes abated only slightly in 2002, while confidence in leaders and institutions continued to sink. The stock market hovered near record lows, while unemployment rates approached record highs. Overall, Taiwan's political and economic performance remains so deficient that scholars and citizens alike are questioning whether Taiwan's poorly designed institutions can weather the relentless storms battering the island.

Politics

Taiwan's political year began on December 2, 2001, with Legislative Yuan elections that reshaped the political arena. Although the elections brought major changes to the legislature, they did not rebalance the chamber in favor of President Chen's political allies. Many Taiwanese had hoped that a decisive result might break the political deadlock that began when Chen took office in May 2000. With a Kuomintang (Nationalist Party, KMT) majority in the legislature, Chen's first 18 months in office were marred by nonstop political combat and policy paralysis. The nadir came in the late fall of 2000, when KMT legislators attempted to remove Chen from office through a recall petition. Although they abandoned the effort in the

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face of popular opposition, the effort revealed the deeply dysfunctional nature of Taiwan's political system under its divided government.

The December legislative elections offered the first opportunity for Taiwan's voters to express their views on the president's performance. And while many observers expected Chen's Democratic Progressive Party (DPP) to do poorly, given the miserable state of the island's economy and the snarled political process, the DPP increased its legislative delegation by 17 members, winning a total of 87 out of 225 seats. The president's party also benefited from the 13 seats captured by its "Pan-Green Alliance" partner, the Taiwan Solidarity Union (TSU). Former President Lee Teng-hui founded the TSU in 2001 for the express purpose of helping Chen govern effectively.

The KMT's legislative delegation fell from 110 to 68, an abysmal result that was due primarily to a collapse of party discipline. The long-time ruling party lost votes mainly to its ally, the People First Party (PFP), many of whose candidates had been elected previously under the KMT banner, and which captured 46 seats. The result was a legislature divided between two major camps, with the Blue alliance—including the KMT, PFP, and the tiny New Party—holding a slim majority of 114 seats to the Greens' 100. The remaining seats were held by independents.

The first test of the two alliances came in early February 2002, when the newly elected legislators convened to choose their leaders. Early on, the DPP decided on a conciliatory strategy. In the vote for the legislature's speaker, DPP legislators threw their support behind the incumbent, a KMT legislator. DPP delegates hoped the KMT would reciprocate by endorsing a DPP candidate for deputy speaker. Hopes for friendlier relations among the parties were dashed, however, when the Blue alliance voted down the DPP nominee.

Early in the session, the TSU defied expectations by adopting the persona of legislative provocateur. Ostensibly founded to reinforce the DPP, the TSU quickly adopted an independent course. On February 7, the party unveiled a proposal to require the Republic of China president to be born in Taiwan. While its advocates defended the idea on the grounds that Beijing might someday try to dispatch a People's Republic of China (PRC) politician to run Taiwan, a more plausible reason for the proposal was to highlight the fact that none of the three leading Blue camp politicians, Soong Chu-yu (founder of the PFP), KMT Chairman Lien Chan, and Taipei Mayor Ma Ying-jeou, was born on the island. President Chen quickly rejected the idea, but the TSU followed up with several other, equally provocative suggestions.

In addition to the TSU's publicity-seeking gestures, some substantive issues also highlighted serious differences of opinion within the Green camp. Early in the year, the DPP-led government announced its intention to allow Taiwan high-tech companies to move plants that manufacture eight-inch semiconductor wafers to Mainland China. The industry lobbied hard for this initiative, which its spokesmen argued was essential if Taiwan's semiconduc-

tor industry was to remain competitive. Opponents of the idea worried that the move would enhance the PRC's technical capabilities at the same time it accelerated the hollowing out of Taiwan's economy in favor of the Mainland. Chen Shui-bian took the leading role in moving the proposal forward in the government, while the TSU positioned itself as the measure's main opponent. Clearly, the newly formed TSU was a far more reluctant ally than Chen and the DPP had anticipated.

The Green camp was not alone in its difficulties, however; for its part, the Blue alliance was dogged by the widespread conviction that political competition would eventually tear the alliance apart. The coalition has its origins in the KMT's 2000 split over the presidential nomination, when outgoing President Lee Teng-hui and his faction chose to support Lien Chan over his rival, Soong Chu-yu. Soong refused to withdraw from the race and campaigned as an independent, coming within two percentage points of victory, and trouncing Lien by almost 15 points.

Since 2000, advocates of a strong conservative camp have urged Soong and Lien to work together to check President Chen. Within the legislature, the Blue parties have cooperated on most legislative proposals; the DPP has rarely managed to overcome their unified voting bloc. Nonetheless, with the next presidential election barely two years away, the Blues' top leaders are being scrutinized constantly for signs of discord. Neither Lien nor Soong is eager to take the second seat on a presidential ticket. For Lien, a presidential election without a KMT candidate would mean admitting the political irrelevance of a party that only a few years ago held hegemonic stature in Taiwan's politics. Meanwhile, Soong has little incentive to play second fiddle to a man he defeated handily just two years ago.

In 2002, debates within the Blue alliance over nominations for year-end mayoral elections in Taipei and Kaohsiung prefigured the challenge the alliance will face in the presidential contest. In Taipei, the incumbent mayor, Ma Ying-jeou, is popular with politicians of both parties as well as the city's voters, and thus was an easy consensus choice for the Blues' nomination. Kaohsiung posed a more difficult dilemma, as there was no obvious compromise candidate in sight. The Blues' Kaohsiung alliance imploded in early June, when the PFP vice chair Chang Chao-hsiung announced his intention to enter the race. According to KMT officials, he was expected to reject a polite inquiry into his interest in the race. When he instead expressed his desire to run, local KMT politicians in Kaohsiung refused to endorse him. They preferred a long-time Kaohsiung KMT politician Huang Jun-ying.

Eventually, the PFP vice chair pulled out of the race, but not in time to rescue the Blue alliance from two more would-be mayoral candidates, including, in one of the year's most bizarre plot twists, long-time dissident and one-time DPP chairman Shih Ming-teh. Just before the election, the PFP shifted its support to the KMT's Huang, dropping Chang Po-ya, an independent poli-

tician who has held local and national posts. The alliance's failure to agree on a single candidate until late in the campaign had the expected result: a second term for DPP Mayor Hsieh Chang-ting (Frank Hsieh).

Despite the difficulties facing both alliances on the political front, the Blues, at least, maintained sufficient discipline in the legislature to deny the DPP effective control over the lawmaking process. Nonetheless, the new legislature has functioned marginally better than its predecessor. For example, the president's budget was passed early in the session, and there have been no further attempts to remove the president or Premier Yu Shyi-kun from office. In fact, Chen consolidated his control over both the cabinet and his party, moves that met with only limited resistance from the Blue camp.

In February, Chen brought in Yu as the new premier, to lead a reshuffled cabinet. Yu's cabinet significantly increased the number of DPP members in the government, a number that increased further still when several high officials joined the DPP in mid-year. DPP members also took over the top posts at a handful of state-owned enterprises.

The party's retrenchment efforts extended to internal reforms, adopted in April and enacted in July, aimed at strengthening its leadership and improving its efficiency as a governing party. Among other reforms, the new guidelines stipulated that a DPP president would serve concurrently as party chair. While Chen's opponents criticized the move as a power grab, in fact, the consolidation of DPP leadership under the party's top political officeholder was a sensible response to the chaos and indiscipline that have plagued the DPP since Chen was elected.

Ungovernability was much on the minds of President Chen and other DPP leaders this year. Among the party's main policy initiatives were measures aimed at revamping Taiwan's dysfunctional legislature, streamlining its executive branch, and improving the caliber of elected officials. The DPP hopes to sharply reduce the number of cabinet-level ministries, cut the size of the Legislative Yuan by a third, revamp Taiwan's electoral system, and eliminate the lowest-level local elections, which the party argues are the seedbed for corruption and machine politics. Scholars seeking to explain Taiwan's recent political difficulties have identified the island's inefficient electoral system and poorly defined division of power between the executive and legislative branches as key obstacles to effective government.[1]

The year's events placed a number of additional items on the island's political agenda in 2002. A debate over free speech and publication oversight emerged after an extraordinarily salacious (even by Taiwan standards) scan-

1. See John Fuh-sheng Hsieh, "The 2000 Presidential Election and Its Implications for Taiwan's Domestic Politics," *Issues and Studies* 37:1 (2001), pp. 1–19, and Yu-Shan Wu, "The ROC's Semi-Presidentialism at Work: Unstable Compromise, Not Cohabitation," ibid., 36:5 (2000), pp. 1–40.

dal involving an illegally made videotape of a female politician. When the government moved to block a popular magazine from selling a CD-ROM version of the sexually explicit tape, some legislators questioned Taipei's commitment to free speech. Civil rights were also at the center of a debate over whether certain military and national security personnel should be subjected to loyalty checks. That discussion emerged from revelations that a number of former military officials had traveled to Mainland China, and in at least one case had acted as spies for the PRC government.

Environmental debates were less heated in 2002 than last year, when a dispute over the construction of a fourth nuclear power plant brought the government to a months-long standstill. Nonetheless, another in a string of severe droughts—which experts agree have been exacerbated by deforestation, poor land-use planning, and a lack of wastewater treatment facilities—forced water rationing in northern Taiwan and reminded Taiwanese that environmental issues must be addressed. Aboriginal residents of Orchid Island kept the nuclear power issue alive through protests against a leaky nuclear waste dump on the small island off Taiwan's southeastern coast.

Economy and Foreign Relations

On the economic front, many of Taiwan's debates in 2002 involved cross-strait relations and international trade. In addition to the debate over semiconductor manufacturing rules, Taiwan struggled to pass legislation required for World Trade Organization (WTO) compliance. The drive to privatize state-owned companies gained urgency after a jet airliner belonging to state-owned China Airlines crashed in late May. China Airlines made headlines again a few weeks later as it deliberated over competing aircraft sales offers from Airbus and Boeing. On August 1, Chen Shih-meng, secretary-general to the president, politicized the dispute when he urged China Airlines to buy from Boeing, in order to recognize the U.S.'s consistent close friendship with Taiwan. In October, Minister of Transportation and Communication Lin Lin-san said the airline would buy planes from both companies.

The biggest foreign policy setback last year was the loss of diplomatic ties with the Republic of Nauru. This tiny and impoverished Pacific Island nation of 12,000 people announced on July 21 that it would recognize the PRC. Losing formal ties with Nauru underscored Taiwan's diplomatic isolation. Taiwanese officials interpreted it as a calculated insult from Beijing (one which reportedly cost the PRC more than US$100 million in foreign aid and debt relief) timed to coincide with Chen Shui-bian's installation as DPP chair. Nor did relations with other nations offer much solace; while Taiwan's top leaders visited the nation's diplomatic partners in Africa and Latin America, the trips did not include the morale-boosting transit visits of previous years. In 2001, President Chen spent several days in the U.S. while en

route to South America, a visit which reflected the Bush administration's favorable view of Taiwan. And Taiwan's friends once again failed to persuade the World Health Assembly to consider Taiwan's application for observer status in the World Health Organization.

The one bright spot—and it was a very bright one—in the island's foreign policy picture was U.S.-Taiwan relations. The strong support for Taiwan expressed by President George W. Bush and his administration in 2001 continued in 2002. Although the top items on Taiwan's foreign policy wish list—an official visit by President Chen to the U.S. and a free trade agreement with the United States and Japan—were deferred, Washington's rhetoric and actions signaled continued goodwill toward Taiwan. In March, Minister of Defense Tang Yiau-ming attended a conference with defense contractors in Florida at which he spoke with two high-ranking Bush administration officials. First Lady Wu Shu-chen made a successful trip to the U.S. in September, stopping in Washington, New York, and Los Angeles. Still, despite signs of continued strong, positive relations between Washington and Taipei, two issues cast shadows over U.S.-Taiwan ties in 2002: Taiwan's legislature's reluctance to fund arms purchases in tough economic times, and Chen Shui-bian's mid-summer comments on cross-strait relations.

For the first half of the year, relations between Taipei and Beijing followed a familiar pattern: each side made an occasional, tentative gesture toward the other, but there was little concrete progress, or regress, in the relationship. In Beijing's view, Chen's continued refusal to accept the "one-China principle" revealed his deep-seated determination to move Taiwan toward formal independence. PRC leaders saw this determination reflected in a number of domestic political developments within Taiwan, ranging from a plan to add the words "Issued in Taiwan" to the cover of Republic of China passports, to a decision by the Ministry of Education to adopt a romanization system for Chinese characters that differs slightly from the Hanyu Pinyin system developed in the PRC. The result of such a change would be primarily symbolic, with the new romanization appearing on street signs along with standard Chinese characters.

From Taiwan's perspective, the major obstacle to progress continued to be Beijing's insistence on the "one-China principle" as a precondition for talks. Taiwan's leaders believe that the version of the one-China principle Beijing uses in the international community (that there is only one China, and Taiwan is part of it, and its legitimate government is the PRC) relegates Taiwan to the status of a local government lacking sovereignty. Even when some PRC officials restated the one-China principle in ways that suggested flexibility in interpretation, officials in Taiwan were wary, believing those concessions to be tactical.

If cross-strait relations were strained at the official level, day-to-day interactions continued to grow at a prodigious pace. According to Taiwan's

Mainland Affairs Council, almost two million Taiwanese visited the PRC in the first half of 2002. Total reported trade between the two sides reached US$1.6 billion in the first half of the year, an increase of almost 20% over the same period in 2001. Given the stagnation in Taiwan's economy overall, this volume of growth is astounding. Investment also increased. Meanwhile, Taiwan and Hong Kong managed to renegotiate an aviation pact that allowed the two to skirt the vexing sovereignty question.

President Chen has accepted the arguments of Taiwan's business community that cross-strait economic interaction is essential to Taiwan's continued prosperity, and his policies reflect that conviction. Besides allowing the semiconductor companies to move their eight-inch wafer manufacturing to the Mainland, the Chen administration also relaxed a number of other provisions aimed at restricting cross-strait economic integration. In May, Chen announced his intention to send a DPP delegation to the Mainland in hopes of opening direct talks. And in June he reiterated the previously stated goal of achieving "political integration" with the Mainland. He also said non-governmental organizations could stand in for government officials in some negotiations with Mainland counterparts.

Still, a lack of consensus within Chen's government made Taipei's positions on cross-strait issues exceedingly difficult to discern. For example, while Chen has long advocated opening direct trade, transport, and postal links with the Mainland—the so-called "Three Links"—each executive department with an interest in the issue (especially the presidential office, Mainland Affairs Council, and Ministry of Defense) offered different visions for how direct links should develop, and proposed different preconditions.

The government's ambivalence about cross-strait relations was one factor contributing to statements Chen made in July and August that undercut the goodwill efforts of the previous two years. On July 21, Chen told a DPP audience that if Beijing did not respond constructively to Taiwan's overtures, Taiwan would "go its own way." On August 3, Chen described the Taiwan Strait as having "a country on each side." These remarks reinforced suspicions in Taipei, Beijing, and Washington that President Chen was not interested in improved relations with the Mainland. For Chen, however, the change in tone reflected Beijing's failure (and the failure of his domestic opponents) to acknowledge his goodwill gestures. It also reflected his frustration over the Nauru defection. Meanwhile, Chen's supporters generally liked what they saw as a display of presidential backbone.

Reaction to Chen's statements in Beijing and Washington was muted, but negative. Chen seemed to close the door on the Three Links, or any other measure that might relieve tension in the Strait. Thus it came as a surprise when, in mid-October, Chinese Vice Premier Qian Qichen told a Taiwanese newspaper that the PRC could consider the Three Links as "cross-strait links" rather than "domestic links." Beijing's insistence on "domestic links" was a

key sticking point for Taipei, so the new formulation constituted a concession. President Chen immediately welcomed Qian's statement. Once again, the door seemed open for progress, although translating the opportunity into action will require much effort on both sides.

For Taiwan to pull off the task will require unity in the government, which, as we have seen, is in short supply. It also will require the Blue alliance to back the president's efforts—another doubtful proposition. Unfortunately, two years of non-stop political battling in institutions that seem tailor-made to promote paralysis and gridlock may have left Taiwan without the political resources to mount a constructive response to overtures—or threats—from the Mainland.

At year's end, three topics dominated discussions of Taiwan's future: the 2004 presidential election, cross-strait relations, and the economy. Odds makers got little help from the 2002 mayoral elections. A united Blue camp managed an easy win in Taipei, but lost in Kaohsiung. The biggest winner was second-term Taipei Mayor Ma Ying-jeou, whose strong showing made him the pundits' instant favorite for the Blues' presidential nod in 2004. However, Ma's popularity with voters could irritate fellow Blue politicians, several of whom also have presidential ambitions. Prospects for a Blue victory in 2004 improved in mid-December 2002, when leaders of the PFP and KMT pledged to mount a united campaign. Days later, however, they faced a setback when Kaohsiung City council members from the alliance chose a council speaker who was under indictment for bribery, tax evasion, and other crimes. DPP party leaders ordered their party's council members to oppose the speaker, whom they alleged paid for votes in the speaker's election. The fiasco confirmed suspicions that KMT and PFP politicians continue to practice black and gold politics.

Concrete progress on cross-strait relations was limited; the Mainland Affairs Council's long-awaited report on direct links was not released by year's end. However, both sides approved indirect charter flights between Taiwan and the Mainland for the Chinese New Year.

Finally, Taiwan's economy showed modest improvement, and if global trends continue, further strengthening is likely. Economic growth rose steadily over the course of the year, and the unemployment situation eased slightly in the waning months of 2002. And the WTO fulfilled at least one of the Taiwan government's hopes, serving as a forum for bilateral discussion of a trade dispute between Taipei and Beijing.