

Taiwan in Ma's second term: international implications

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» President Ma Ying-jeou's re-election to the Taiwan presidency this January offers new prospects but also challenges for the country. His tenure will be defined by a pragmatic foreign policy which endeavours both to quench Taiwan's thirst for international space and rebalance its relations with the People's Republic of China (PRC). Ma will combine diplomacy in the rest of the world with commerce in the PRC. The biggest challenge of his second term will be fending off increased pressure from the mainland to unite, whilst defending the wishes of Taiwan's 23 million people.

Over the next four years, economic growth and diversification of trade partners will be essential. At the same time, greater economic interdependence with the PRC will be sought to enhance political relations. Fundamentally, President Ma's re-election points towards a further rapprochement in cross-strait ties building on his China policy of the 'three No's'—no unification, no independence and no use of force. President Ma's success in achieving a 'diplomatic truce' with Beijing has so far been notable. Ma emphasises his victory as a sign of the Taiwanese people's endorsement of his China policy. But amidst declining popularity at home, President Ma will have to navigate an unsteady course between domestic interests and those of the mainland. The ultimate success of his China policy will rest on the new regime in Beijing.

Growing cross-strait ties are indicative of greater economic prosperity, security and stability in the East Asian region,

Highlights

- As he begins his second term, Taiwan's President Ma will face increased pressure from mainland China.
- At the same time, cross-straits economic cooperation will deepen.
- In this context, the EU should move forward with free trade talks with Taiwan.

»»»»» inviting major partners like the EU to invest in deepening ties with the island nation. Following its integration into the WTO with Beijing's blessings, Taiwan is keen on competing in international markets, especially against regional rivals like Japan, the ASEAN community and free trade champion South Korea. However, Taipei still encounters obstacles erected by Beijing when it attempts to negotiate free trade deals with other countries. President Ma stands by his contention that reducing tensions will improve the country's overall economic well-being. Analysts concur that reduced tensions between Beijing and Taipei will be conducive for trade partners to engage more with Taiwan. One of the most important of such will be a comprehensive trade agreement with the European Union.

A CLOSER LOOK AT THE ELECTIONS

On 14 January 2012, Taiwan held historic presidential and legislative elections on the same day for the first time. President Ma Ying-jeou of the Kuomintang (KMT) won a second term in the three-party election with a comfortable margin of 51.6 per cent of the total votes cast. He defeated Dr. Tsai Ing-wen of the Democratic Progressive Party (DPP). The 74.4 per cent turnout was the lowest of four presidential elections since 2000. However, the political map, demonstrating DPP control of the south and KMT dominance in the east and north, remains unchanged. Compared with his landslide victory in 2008, President Ma lost 763,585 votes and his party experienced a 17 seat decrease. The DPP in turn saw a 13 seat increase.

Many factors helped President Ma win re-election despite undelivered promises. These factors include: the incumbent's advantage; the KMT's effective negative campaigning strategy; the KMT's abundant campaign resources; factionalism in the DPP; some voters' reluctance to accept a female president; the shadow of former President Chen Shui-bian's corruption; increased mobilisation of the pan-blue voters to cast their ballots for President Ma fearing the DPP might benefit again from the split of the KMT; and, most importantly, intervention from the PRC.

Beijing's stake in Taiwan's 2012 elections was high. Hu Jintao's personal interest has been considerable since his Taiwan policy has been one of the few areas where he has experienced success. Should the DPP have won the presidential election, cross-strait relations would have faced a serious setback. Therefore, the PRC government made great efforts, albeit slightly more discreetly than in previous elections, to help President Ma gain re-election.

The PRC has tried to manipulate every presidential election in Taiwan since 1996, but has become more adept at doing so in recent years. This time, Beijing encouraged Taiwanese businessmen to return to Taiwan to vote by subsidising their airfare. It furthermore warned local leaders in Taiwan not to support James Soong and Tsai Ing-wen, and forced Taiwanese business leaders to endorse the KMT candidate. Moreover, Beijing warned Taiwanese voters that if Tsai Ing-wen won the presidency, cross-strait talks would be suspended and many economic favours, bestowed by the PRC. This is because Dr. Tsai has refused to accept

President Ma's re-election and his balancing act with the PRC represent a delicate challenge for the EU

the 1992 consensus - an oral understanding reached by both Taipei and Beijing in their 1992 Hong Kong talks that there is 'one China', with each interpreting what 'one China' means.

Unlike former President Chen Shui-bian and DPP Chairwoman Tsai Ing-wen, Ma has accepted the 1992 consensus. He abandoned former President Lee Tenghui's 'special state-to-state' theory and Chen Shuibian's 'one country on each side of the Taiwan

Strait' position to return to the 'one country, two regions', or 'one country, two governments' model to define the cross-strait political relationship. His political dexterity appealed to Beijing, who agreed to resume cross-strait talks on 16 June 2008. So far 16 agreements have been signed between Taiwan and the PRC, including direct cross-strait flights, allowing mainland tour-

ists to visit Taiwan and the Economic Cooperation Framework Agreement (ECFA). Opposition parties, however, criticise his China policy claiming that Ma has sacrificed Taiwan's sovereignty and encourages creeping unification with the mainland.

Beijing has often proposed political negotiations to Taiwan. In his eight point proposal for unification announced on 30 January 1995, Jiang Zemin suggested that China and Taiwan enter negotiations for peaceful unification. In a joint communiqué

on 29 April 2005, Hu Jintao and the KMT chairman Lien Chan agreed to 'promote an end to the state of hostilities, and reach a peace accord.' Acknowledging Taiwanese recalcitrance, the PRC Vice Premier Qian Qichen proposed in October 1997 a three phase formula for cross-strait political negotiations; starting with a political dialogue, moving towards talks for agenda setting, and finally entering substantial talks on political issues. Beijing however resigned itself to President Ma's reluctance to enter into political negotiations with China in his first term, suspending negotiations until his second term.

CROSS-STRAIT RELATIONS IN PRESIDENT MA'S SECOND TERM

President Ma will therefore undoubtedly face greater pressure from the PRC in his second term than his first. The PRC's assistance in his re-election will be implicitly seen as a debt to be repaid. President Ma tested the water for political negotiations in a press conference on 17 October 2011, stating that he would carefully negotiate a peace accord with Beijing. But his position will be precarious. Strong criticism from the opposition parties forced President Ma to back down. He thus promised in a press conference on 25 October 2011 that the signing of a peace accord would only be approved by a referendum in Taiwan. Such high threshold requirements will render it impossible to win public approval, leading to great frustration in Beijing's political circles. It remains unclear whether President Ma's position represents more of a strategy to placate the PRC with indistinct promises of unification.



President Ma's policy has promoted cross-strait social and economic exchanges. Two-way trade from 2008 to 2011 jumped almost a quarter from \$129.2 billion to \$160 billion. According to official statistics, Taiwanese investment in the PRC stood at a total of \$108.9 billion by the end of September 2011; 40 per cent of which was approved by the Ma administration. Ma has promised further to deepen the economic cooperation between Taiwan and the PRC in his second term. Yet he remains wary and circumvents political negotiations with Beijing.

Satisfied with the outcome of the presidential election, Beijing will most likely continue its policy toward Taiwan in the near future. The spokesman for the Taiwan Affairs Office of the PRC's State Council stressed right after Taiwan's elections that the PRC would like to work with Taiwan to create a new accord for peaceful development on the common ground of the 1992 consensus and anti-Taiwan independence. Minister Wang Yi's talks during the 2012 Chinese New Year suggested that Beijing believes its policy toward Taiwan is correct and is committed to deepening cross-strait economic cooperation in the coming years.

But for the moment, Taiwan is not Beijing's burning priority. The PRC's leaders are currently preoccupied with the power succession and organisation of the 18th Party Congress in October 2012. If Xi Jinping successfully succeeds Hu Jintao to become the core leader of the fifth generation, he will need time to consolidate his power. Solving the Taiwan issue would not be an urgent task for him; at least two years would be needed before a new policy paper on Taiwan with his stamp would be issued.

The PRC believes firmly in long-term unification with Taiwan but recognises that this dossier cannot be solved in the near future. It agrees that cross-strait exchanges should be conducted under the principle of 'economics first, politics later'; tackling easier issues before the more complicated ones. But Beijing opposes the notion that the cross-strait talks focus on economic issues only. It believes that economic exchanges are to pave the way for political negotiations and that such negotiations of a political nature are inevitable. Beijing has invested in public diplomacy to win the hearts of the Taiwanese people and to create a better environment for peaceful unification. It is likely it will continue in this vein, increasing its concessions to Taiwan's business community and efforts towards the greater part of its disadvantaged population.

Taipei and Beijing have agreed to deepen their economic cooperation in the future. They are expected to sign an investment protection agreement in the next round of talks between Taiwan's Straits Exchange Foundation and China's Association for Relations Across the Taiwan Straits. Beijing's strategy is thus to 'Hong-Kongise' Taiwan, flooding the island with its capital and establishing a network with leaders at every level.

The risk is that Beijing might lose patience if its efforts cannot achieve the desired result. The PRC maintains a close eye on political trends among Taiwanese citizens and might be concerned about certain developments. Beijing believes that it has granted Taiwan generous economic favours since President Ma took office on 20 May 2008, but the Taiwanese people have conversely deserted unification. A poll conducted in November



2011 showed that 47.9 per cent of the respondents preferred Taiwan's permanent separation from the Mainland (17.3 per cent chose status quo now and independence later, 4.1 per cent favoured independence as soon as possible, and 26.5 per cent preferred status quo indefinitely). Only 9.7 per cent supported unification with PRC and 34.2 per cent chose status quo now/decision later. In a poll conducted in March 2008, two months before Ma took office, the percentage for permanent separation was only 39.7 per cent, 12.2 per cent for unification, and 43.5 per cent for the status quo now/decision later.

Beijing certainly would like to reverse this negative trend. Ma's re-election might usher in a new period of instability, where PRC demands on Taiwan intensify and more difficulties are encountered in cross-strait economic talks. In his first year, he must draw the line between Beijing's influence and his own political independence. Growing US presence in East Asia risks putting Taiwan in the cross-fire as Beijing might call upon Taiwan to distance itself from the US, while the US might seek to build closer strategic ties on existing ones.

Beijing will be certain in getting Taiwan to formalise the 1992 consensus into law. No new demands appear on the immediate horizon as yet. As the PRC remains preoccupied with this year's leadership transition, President Ma probably has a one-year window in which to heal Taiwan's domestic divisions and generate a consensus on cross-strait relations across the nation and throughout political parties. Ma's diplomatic strategy will be a confident assessment of Taiwan's interests, not strategic concessions.

THE IMPACT ON EU-TAIWAN RELATIONS

None of the 27 member states of the European Union have diplomatic ties with Taiwan, despite shared democratic values. The EU follows a 'one China policy,' but it has nonetheless supported Taiwan's participation in the WTO, warned China against the use of force to solve the Taiwan issue and has recently waived the visa requirement for Taiwanese citizens.

President Ma's re-election and his balancing act with the PRC also represent a delicate challenge for the EU. Should the EU adopt a tough position vis-à-vis the PRC as it looks to the country for economic help? Or should it support Taiwan, which aligns itself with the EU's own democratic values? The latter route would require greater unity amongst diverse member state positions and steadfast political will. The EU's financial woes and relative decline offer it limited power to take important strategic decisions.

With the US turning its political and military attention towards Asia, the EU may choose to stay in the background while the US defends their shared position. Increased US presence in the region threatens the EU's influence but also calls upon the 27 nation bloc to engage in regional security discussions. If the EU is to prove itself an important and credible global actor, the Taiwan-PRC case provides good ground to do so. In the near term, while the EU will attempt to stay out of the PRC's line of fire, it may cautiously broach free trade talks with Taiwan.



The EU is an important trading partner for Taiwan. It is Taiwan's fifth largest commercial partner, Taiwan being in turn its fourteenth. Cross-strait conciliation provides the EU scope to increase its economic ties with Taiwan. After signing the ECFA, Beijing agreed to make tax-exempt 537 Taiwanese products and the establishment of direct flights has facilitated travel between the countries. This has been a key reason behind a substantial increase of EU investment in Taiwan in the past two years. The EU's position will depend largely on how well President Ma is able to broker peaceful and economically thriving cross-strait ties, whilst guaranteeing that the PRC not object to such an accord, just as it has not opposed Taiwan's membership to the WTO.

An EU-Taiwan FTA would in fact benefit from cross-strait economic integration and vice versa. The EU's FTA with South Korea creates economic imbalances for Taiwan and an EU-Taiwan FTA could be correctional. One of the EU's major concerns about signing an FTA with Taiwan is the possible opposition from Beijing. However, Beijing has reiterated that it does not oppose Taiwan's economic relations with other countries if they do not promote Taiwan's sovereign status. Besides, Beijing is in no position to oppose an EU-Taiwan FTA after it signed the ECFA with Taipei. President Ma's second term would in fact present an opportune period to begin negotiations of an FTA with Taiwan.

CONCLUSION

President Ma's China policy opens up the country to China's direct influence while increasing Taiwan's dependence on the Chinese market.

However, President Ma's victory in the presidential election does guarantee the status quo in cross-strait relations. Beijing believes that it has given President Ma the crucial support he needed to win re-election and that it should call back the favour. What Beijing wants is political concession and might force Taipei to come to the negotiating table in President Ma's second term. But Taiwan is a deeply divided society. Nearly half of Taiwanese voters did not support Ma and opposition parties have increased their leverage in the Legislative Yuan in order to supervise President Ma's policy. President Ma must be very careful in handling Taiwan's political relations with China, otherwise he might create a political storm on the island.

Beijing is somewhat disappointed that cross-strait economic integration has so far not led to political integration. Yet, if it believes that buying Taiwan is much cheaper than taking over the island by force, it will continue its current policy. President Ma's second term therefore will essentially ensure peace and stability in the region; a key reason for international support including from the United States, who welcomes the business opportunities created by the Taiwan-China conciliation. The EU too, as an important trading partner of Taiwan, should grasp such an opportunity by signing an FTA and enhancing its economic relationship with Taiwan.

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