



◆ *Conflicting perspectives on national identity have made it harder to forge a consensus on national goals and policies.*

◆ *The majority of people on Taiwan are comfortable with Taiwan's current status of de facto independence and do not support seeking de jure independence.*

◆ *The Chen administration has been unable to engineer a return to strong economic growth, to formulate a coherent policy toward China, or to project the image of a united and effective leadership.*

◆ *Recent PRC comments on cross-strait relations indicate that the Chinese government has taken a more patient and flexible posture toward Taiwan.*

Chen Shui-bian and Building Democracy in Taiwan

Since the lifting of martial law in 1987, democracy has slowly matured in Taiwan. The election of President Chen Shui-bian in 2000 and the subsequent smooth first transition of power from the Kuomintang (KMT), which had controlled Taiwan since 1949, to the opposition Democratic Progressive Party (DPP) were significant milestones in the development of democratic processes and institutions in Taiwan. While the development of democracy, with its guarantees of civil rights and encouragement of open markets, has been applauded, it has also presented challenges to domestic identity, economic development, and foreign policy.

Democratic Development

Taiwan's major democratic transitions took place during the late 1980s and early 1990s after nearly four decades of one-party rule and martial law under the Kuomintang. The push for democratic reforms in Taiwan began as a popular movement that was originally suppressed, but eventually embraced by the KMT political leadership. Unlike political transformation in many other countries, especially since the end of the Cold War and the demise of the Soviet Union and communist rule in Eastern Europe, the change to a democratic system in Taiwan occurred neither overnight nor as the result of a revolution. Rather, it was the outcome of a conscious and concerted effort by the KMT leadership slowly to strengthen civil liberties and institute democratic reform.

Lee Teng-hui, a driving force for democratic development in Taiwan, was the first democratically elected president in 1996. Although he had been

Black Gold Politics

Chen Shui-bian's 2000 election victory was seen by many as based far more on his campaign pledge to eradicate money and mafia politics than on his pro-independence position. Taiwan's political and economic development has been threatened by "black gold" politics – the involvement of gangsters, corruption and illegal financial transactions in practices such as bid rigging, vote buying, embezzlement, and bribery.

Most of the problems result from weak mechanisms of accountability in Taiwan's democratic institutions. The government-business-organized crime network is not subject to effective oversight and control. The law, anticorruption bodies, the ombudsman's office, public audits, and the judicial system appear to be relatively ineffective in ensuring public officials' accountability. Problems in the legal system, and a lack of professionalism on the part of prosecutors, have impeded efforts to crack down on black-gold politics.

President Chen has sought to forge a comprehensive strategy and a legal framework to reduce corruption, but measurable achievements appear to be marginal. According to recent polls, however, the Chen administration is perceived as moving in the right direction in its efforts.

Taiwan's president since January 1988, his election was a landmark in Taiwan's democratization. Democratic Progressive Party candidate Chen Shui-bian's election as president four years later was another milestone in the democratization process since it represented Taiwan's first successful transition between parties and marked its emergence as a true multi-party democracy. Moreover, as was the case with other domestic political reforms, this transition was notable for what did not happen – it was neither highly contested nor disruptive. Civil administrators, military leaders and the majority of Taiwan's political actors respected the results of the election and supported the legitimacy of the transition.

The people of Taiwan are proud of their democratic development and have no nostalgia for the authoritarian rule of the past. Elections have taken on a festival-like atmosphere and voter turnout has been consistently high. This popular enthusiasm has helped ensure that Taiwan's party transitions have been non-violent and has strengthened Taiwan's democratic processes as elections and transfers of power have become regular and institutionalized. Checks on executive power, such as judicial review, have functioned as designed and are another key to the stability of Taiwan. This stability indicates that there are no immediate domestic threats to

Taiwan's democratic development, such as a military takeover or a return to authoritarian civilian rule.

The introduction of real democracy to Taiwan, while lauded as crucial to its social, economic, and political well-being, has, however, not been without shortcomings. The embedding into the political party system of conflicting perspectives on national identity and the broadening of public debate have made it harder to forge a consensus on national goals and policy, especially vis-à-vis the Mainland. While recent attempts at "Taiwanization" have been marginally successful, the basic issue of national identity has been deeply divisive and has often been used by politicians to pursue other political objectives.

Another shortcoming in Taiwan's democratic development has been electoral corruption, also known as "black gold" politics. (see box this page.) Vote buying, especially, has been a major problem at all levels. While the majority of vote-buying cases have involved the KMT, the number of instances involving the DPP has been growing. Not only does electoral corruption and vote buying subvert the democratic process, it also fosters links between politicians and organized crime syndicates.

The Chen Administration

The March 2000 election of Chen Shui-bian as the candidate of the once-banned DPP in a close victory over a divided KMT marked a new era in Taiwan's politics. Domestic and foreign observers expressed optimism about the prospects for reform under the Chen administration.

Chen and his administration found it difficult to turn a slim electoral mandate into broader political support, however. Early enthusiasm waned as Chen had difficulty articulating clear objectives and implementing policies to deal with the range of challenges facing Taiwan. While Chen has had some successes, the administration has been unable to engineer a return to strong economic growth, to formulate a coherent policy toward China, or to project the image of a united and effective leadership.

Chen inherited low economic growth resulting from the impact on Taiwan of the Asian financial crisis of 1998. Taiwan experienced a precipitous drop in foreign direct investment (FDI) from which its economy has not recovered. Moreover, it can no longer rely on cheap labor, which had fueled the island's remarkable growth in the past. Chen's administration has also faced intractable policy dilemmas and growing concern about an economic 'hollowing out' of Taiwan as much FDI and domestic manufacturing has moved across the Taiwan Strait to China. Chen has also faced sharp criticism over the pace of establishing the 'Three Links' – transportation, telecommunications, and postal service – with the Mainland to promote economic growth and people-to-people contact. He has been attacked by some for failing to move fast enough to promote economic growth and by others for moving too fast and putting in jeopardy Taiwan's political interests vis-à-vis the Mainland.

The lack of domestic or party consensus on cross-Strait policy has consistently hampered the Chen administration. To judge from opinion surveys, people in Taiwan are comfortable with Taiwan's current status of *de facto* independence and tend to punish any politician who deviates too much toward the extreme positions of seeking *de jure* independence or reunification. The DPP relies heavily on supporters of Taiwan independence who want to prevent any step that promotes further integration with or dependence on China. Chen has had difficulty walking the line between, on one hand, satisfying this constituency and its coalition partner, the even more pro-independence Taiwan Solidarity Union (TSU), and, on the other hand, pursuing a pragmatic approach to interaction across the Strait that would have a broader appeal and thus enable the minority president to attain other policy objectives and to help rejuvenate the economy.

In addition, Chen's administration has mishandled some major issues, including decisions regarding the construction of Taiwan's fourth nuclear power plant and reform of the agricultural co-ops. On both issues, members of Chen's cabinet either resigned or threatened to resign. Many observers maintain that in both cases the administration could have created mechanisms to communicate government policies more effectively.

Chen's administration has also faced intractable policy dilemmas and growing concern about an economic 'hollowing out' of Taiwan.

The lack of domestic or party consensus on cross-Strait policy has consistently hampered the Chen administration.

Chen, they say, should have worked to strengthen the functions of the legislative liaison office, improve cooperation with opposition parties and, most importantly, use the media to educate the public on the full significance of his reforms and other changes in government policy.

The administration has been further hampered by the dual leadership structure of Taiwan's executive branch. Chen's dramatic about-face in postponing the implementation of reforms in the agricultural co-ops, for example, undermined the credibility of the Executive Yuan and highlighted the need to define clearly and to separate structurally the roles of the president and the premier in the executive branch. So far, Chen has been unable to manage this relationship effectively and the tension between the two offices will likely continue until resolved either through structural reform or private agreement between the two administrators.

Chen has tried to appeal to the wide range of perspectives on the cross-Strait issue, but he has not succeeded in articulating a popular agenda for managing cross-Strait economic and political relations.

The Search for Middle Ground in Cross-Strait Relations

Chen has tried to appeal to the wide range of perspectives on the cross-Strait issue, but he has not succeeded in articulating a popular agenda for managing cross-Strait economic and political relations. On one side, many businesspeople see the Chen administration's reluctance to promote cross-Strait trade as a stumbling block to revitalizing the economy. On the other side, elements of the DPP and TSU fear that greater integration in any area with China threatens Taiwan's *de facto* independence.

Perceptions in China that the Chen administration's policies have been both ineffective and pro-independence have had an impact on cross-Strait relations. The administration's perceived inability to manage government and political processes has led the government in Beijing to reach out to other political actors in Taiwan. This has further eroded Chen's ability to reach consensus on China policy and hence to be seen as an effective manager of Taiwan's relations with the Mainland. In addition, as the leadership in China appears to believe that reaching any substantial agreement with Chen would only aid his reelection, there is little expectation that new ground will be broken between Taiwan and the PRC until after the 2004 elections.

Taiwan's economic slowdown, especially in contrast with the continuing relative economic boom on the Mainland, has eroded confidence in some quarters on the island that Taiwan can indefinitely maintain its *de facto* independence. The balance of economic and military power that has underpinned the status quo in cross-Strait relations is perceived by many people in Taiwan to be shifting toward the Mainland and creating a lose-lose situation for Taiwan.

A non-confrontational PRC presents several problems for Chen and his administration.

Conversely, China's growing economic strength, apparently smooth leadership transition, and stable relations with the United States has given it more confidence in dealing with Taiwan. Recent PRC comments on cross-Strait relations indicate that the Chinese government has taken a more patient and flexible posture toward Taiwan. A non-confrontational PRC presents several problems for Chen and his administration. Intimidation

tactics by the PRC in the 1996 and 2000 elections bolstered public support for the candidates least attractive to Beijing. With its current approach to cross-Strait relations, the PRC is unlikely to pursue a policy of military intimidation during the 2004 elections, which will make it problematic for the DPP to appeal to Taiwanese identity or independence to bolster its prospects for re-election.

New Challenges and Old Problems in U.S.-Taiwan Relations

The Chen Shui-bian Presidency has brought new challenges to U.S. relations with both the PRC and Taiwan. Early on, President Bush brought a new level of clarity to U.S.-Taiwan relations by asserting that the United States “would do whatever it takes” to help the island defend itself from attack. At the same time, he stated that the United States was opposed to a declaration of independence by Taiwan. Over the subsequent period U.S.-Taiwan relations have experienced episodic tension in response to statements on Taiwan’s international status that were viewed as unnecessarily provocative by Washington.

No significant changes in U.S.-Taiwan relations are likely in the near term, especially with the uncertain outcome of the 2004 elections. In the immediate future, the Bush administration will continue to promote bilateral trade, arms sales and policies to enhance Taiwan’s defensive capabilities in operational terms, and promote closer contacts with Taiwan officials, including between the U.S. and Taiwan militaries. At the same time, the U.S. administration will continue to discourage provocative statements on independence by Taiwan officials. Congressional support for Taiwan will likely focus on Taiwan’s entry into the World Health Organization and the advancement of a U.S.-Taiwan free trade agreement.

There is concern in Taiwan that the U.S.-led war in Iraq and the continuing war on terrorism may have a negative impact on Taiwan’s relationship with the United States. Many people in Taiwan fear that Sino-American cooperation in fighting the war on terror and gathering support for the rebuilding of Iraq will lead to stronger U.S. ties with China, to the detriment of Taiwan’s interests and security. Others, however, share the prevailing U.S. view that Taiwan’s security is enhanced by better U.S.-China relations, since the PRC is likely to be more cautious in handling the Taiwan issue if the cost is likely to be significant in terms of damaging improved relations with the United States. ■

This bulletin is based on the roundtable discussion “Chen Shui-Bian and the Status of Democracy in Taiwan,” the latest in the ongoing Cross-Strait Seminar Series of the Asia Programs at the Atlantic Council of the United States. Special thanks to Jonathan Adams, Banning Garrett, and Todd Katschke for contributions to this bulletin. The opinions expressed in this bulletin do not necessarily represent those of the Atlantic Council.

Recent PRC comments on cross-Strait relations indicate that the Chinese government has taken a more patient and flexible posture toward Taiwan.

The PRC is unlikely to pursue a policy of military intimidation during the 2004 elections, which will make it problematic for the DPP to appeal to Taiwanese identity or independence to bolster its prospects for re-election.

Recent Atlantic Council Publications

U.S.-Libyan Relations: Towards Cautious Reengagement, *Chester A. Crocker*, CHAIR, *C. Richard Nelson*, PROJECT DIRECTOR & RAPPOREUR. April 2003.

Transforming NATO Forces: European Perspectives, *C. Richard Nelson and Jason S. Purcell*, EDITORS. January 2003.

Winning the Peace: Managing a Successful Transition in Iraq, *Richard W. Murphy*, CHAIRMAN, *C. Richard Nelson*, PROJECT DIRECTOR & RAPPOREUR. January 2003.

New Capabilities: Transforming NATO Forces, *Robert Hunter and George Joulwan*, CO-CHAIRS, *C. Richard Nelson*, PROJECT DIRECTOR & RAPPOREUR. September 2002.

Staying the Course: Opportunities and Limitations in U.S.-China Relations, *Jack N. Merritt*, CHAIRMAN, *Walter B. Slocombe*, RAPPOREUR. September 2002.

Elusive Partnership: U.S. and European Policies in the Near East and the Gulf, *Rita Hauser, J. Robinson West, Marc C. Ginsberg, Geoffrey Kemp, Craig Kennedy, Christopher J. Makins, and James Steinberg*. September 2002.

These publications are available on the Council's website, www.acus.org.