

Can President Tsai Ing-wen Rejuvenate Taiwan with Better Global Identity?

Major General SB Asthana, SM, VSM (Retd)[®]

Introduction

As an unprecedented landmark in political history of Taiwan, with the swearing in of Tsai Ing-wen as the new President on 20 May 2016, following her landslide victory in elections, with her Democratic Progressive Party (DPP) capturing 56.1 per cent vote, nearly twice as that of Kuomintang (KMT), and 68 out of 113 seats in parliament,¹ she became the first female President of Taiwan, which is still struggling for a well defined identity. She comes with great hope to people, who like a free democratic society and, economic prosperity. How DPP (historically perceived to be supportive of independence from China), transforms itself and acts, will impact future consequences on Taiwan's economy, cross-Strait relations, freedom of their society, and future stand on South China Sea (SCS) and East China Sea (ECS). The new President has a very tight rope to walk, and faces an unprecedented challenge of balancing between national interests, meeting aspirations of the people and peculiar strategic concerns arising amid 'Big Powers Play' in the Asia-Pacific Region, involving other powers also. The political pressure is already evident with Beijing warning of no further talks with Taiwan, unless she accepts 1992 consensus, and President Tsai Ing-wen referring to her administration as the "Taiwanese Government" during her first meeting as President, with the President of Republic of Palau.²

Strategic Importance of Taiwan

Taiwan, located halfway in West Pacific first island chain, is strategically crucial for People's Republic of China (PRC) as it

[®]Major General SB Asthana, SM, VSM (Retd) was commissioned into 7 ASSAM on 16 Dec 1978 and retired as Additional Director General Infantry on 01 Jun 2014. He attended a National Development Course in Taiwan in 2006. He is a well-known security analyst who has been speaking on strategic and international issues at various forums. Presently, he is the Chief Instructor at United Institution of India since 16 Mar 2015.

opens her gate to Pacific Ocean for future power projection, quest for oil, strategic domination of the sea lanes of communication (SLOCs), besides immediate control of SCS. It is relevant for the US to maintain her strategic domination and economic interests in East Asia. For India, Taiwan can be a potential source of FDI, technological and economic exchanges and extended strategic space in East Asia as part of 'Act East Policy'. The natural gas and oil discovered North of Taiwan being claimed by Taiwan, Japan and China, and oil in SCS is also relevant and a bone of contention amongst claimant countries. Taiwan is also relevant for protection of global SLOCs in that region.

Economic Relevance of Taiwan

Historically, Taiwan demonstrates a successful model of rapid growth from poor agricultural society to a prosperous industrial democracy in six decades. *Taiwan's competitive and dynamic free market economy has brought unprecedented prosperity to all levels of society.* Taiwan accounts for world's fifth largest foreign exchange reserves, and has per capita GDP five times that of China, which is miraculous in view of its meagre mineral resources, small usable landmass for gainful economic activities and frequent natural disasters like typhoons and earthquakes. Taiwan with 98.5 per cent literacy rate³ has educated, tech-savvy human resource, which has been the key to her economic progress. Taiwan is promoting knowledge based economy and industrial modernisation and is domestically concentrating on high technology industries like semi-conductors and biotechnologies. It has heavy trade surpluses with many countries including China. Taiwan's proactive commercial initiatives led to her joining the World Trade Organisation (WTO) in 2002, signing the Economic Cooperation Framework Agreement (ECFA) with China in June 2010, a free trade deal with New Zealand in July 2013 (a country with which it does not maintain diplomatic relations), and inking a trade pact with Singapore. Electronics, machinery, and petrochemicals have constituted major exports driving the economy. Taiwan has been able to make smart cards for health for the entire population, indicating her determination for social growth and prosperity for all. It feels left out by World health Organisation (WHO), raising a question mark on the aim of WHO of providing health for all.

Taiwan's economic growth faces some inherent problems and concerns. Besides diplomatic isolation, her heavy dependence

on exports makes the economy fragile to fluctuations in world demand. In a sign of deteriorating economy, Taiwan's export orders have consistently declined during the last 13 months, as demand in China and other global markets remained weak. Taiwan's low birth rate (just over one child per woman is among the lowest in the world), and rapidly aging population raises the challenges of labour shortages, falling domestic demand and declining tax revenues. With growing prosperity, its labour costs have shot up to ten times as compared to China, and maximum manufacturing industries have shifted to China to reduce costs of labour as well as transportation of raw materials (which are scarce in Taiwan). The Chinese growth had been a major factor for Taiwanese electronics industry to dominate the global production of computer hardware initially, but now with Chinese themselves becoming a competitor in this field, Taiwan's challenges have increased. Taiwan's economic dependence on China is so heavy that it has cut its economic growth forecast from 2.32 per cent to 1.47 per cent for the year 2016, due to China's slowdown on export demand (Statistics Bureau, May 2016).⁴ Youth unemployment, housing prices and viability of small businesses are major concerns. President Tsai Ing-wen will have to find ways of reviving sluggish growth, social reforms and creating greater opportunities for youth.

Taiwan's Search for Identity

Taiwan's search for identity started after the Chinese Communist Party (CCP) took control over People's Republic of China and Republic of China (ROC) Government fled to Taiwan in 1949. PRC continues to maintain the stance that Taiwan is an integral part of China. In 1971, the UN recognised PRC as the only China replacing ROC, and started following "One China Policy". Most of the countries including the US and India are following "One China Policy". Taiwan on the other hand claims herself to be a democratic sovereign society having a democratically elected Government, constitution, defence forces, currency, booming economy, and with a population comparatively more than 100 countries, and an area more than 150 countries, it feels that it qualifies to be recognised as a separate country by the international community. The 'One China Policy' has been a stumbling block in Taiwan's diplomatic / political interactions with most of the countries and her membership in various international organisations like the UN and WHO. In fact, the *Taiwanese historians go on to say that they represented*

entire China and lost mainland to PRC in a civil war, which has not yet been officially declared to be over (emphasis by the author). Taiwan is a member of WTO, Pacific Economic Cooperation Council, Asia Pacific Economic Cooperation Forum as Chinese Taipei, and participates in Olympics also by the same name. Being an economic and technological giant, claiming to have all the requisites of an independent nation, Taiwan aspires for greater position and role in international environment.

Cross Strait Relations

The cross strait relations between Taiwan and PRC continued to remain frozen at the official level till 2008; however, economic, tourism, and cultural exchanges had been consistently increasing. The cross-strait ties, travel, tourism, communications, trade and investment improved considerably under the ex-President Ma's administration. Roughly 25 per cent of Taiwan's trade is now with China, its largest trading partner. Officially, Taiwanese businesses have invested at least US \$60 billion in China. Unofficially, the number is as high as US \$200 billion,⁵ with bulk of electronic industry production shifting to the mainland. Over one million Taiwanese live in China, mostly in Coastal areas, and over 20 per cent have married there. China has replaced the US as number one destination for Taiwanese export accounting for approximately 40 per cent of total exports (Hong Kong included), with Taiwan having a trade surplus of approximately US \$ 30 billion with China.

Ma's trade deals with China have been controversial, as common Taiwanese particularly the youth, did not feel the benefits of it, hence it resulted in the Sunflower protest movement in 2014. *Taiwan has politically aware public with maximum women legislature percentage in Asia.* People's unhappiness has been adequately proven by election results of May 2016. Many surveys have proved that increasing number of people of Taiwan have started identifying themselves as 'Taiwanese' and feeling of nationalism is on the rise.

Despite such economic and social interactions between the two sides, Taiwan is apprehensive of the *repeated threat of China to use military force for unification, should Taiwan declare independence or go nuclear.* Beijing threatened Taiwan with missile exercises in the waters around Taiwan during 1995-1996, an episode which led the US to dispatch two aircraft carrier battle

groups to the region, as a show of its determination to prevent Chinese use of force against Taiwan (an unofficial ally). Beijing in the third week of May 2016 held large-scale war games on its Taiwan-facing coast,⁶ to put pressure on Tsai. Notwithstanding the pressure tactics of China, presently Beijing, Taiwan, and Washington have no interest in escalating tensions in cross-Strait relations as all three have their hands full.

China's Position

China treats Taiwan as her integral part, with reunification dream. PRC passed the Anti-Secession Law in 2005, authorising war if island formally declares statehood. The reunification of Taiwan continues to remain extremely high on Chinese agenda and they refuse to denounce the use of force in doing so, if required; however, Chinese regime is looking at 'Peaceful National Reunification' favouring economic integration of Taiwan, more so after the successful peaceful experience of reunification of Hong Kong.

Historically, China perceives DPP to be supportive of independence, and was trying to sideline them during President Chen's tenure. Xinhua, the official Chinese news agency, warned that the DPP victory "poses new challenges to cross-Strait relations" and underscored Beijing's opposition to "separatists".⁷ The US response to the DPP victory was that "we share with the Taiwan people a profound interest in the continuation of cross-Strait peace and stability," State Department spokesman John Kirby said in a statement, raising concerns in China.⁸ Tsai has been quite moderate vowing to "work towards maintaining the status quo for peace and stability across the Taiwan Strait" expecting both sides having responsibility to find mutually acceptable means of interaction, and prevent provocations/ accidents, in her inaugural speech. *Beijing however has threatened to suspend regular talks with Taipei to put pressure on Tsai to acknowledge the "1992 consensus"*⁹

China will continue to oppose anyone trying to recognise Taiwan or increase their military capability. They will continue to oppose their membership in international organisations like the UN, WHO as much as they can. China seems to be in no hurry for immediate unification because any such move besides causing turbulence in her relations with the US and other regional players,

will affect her economic growth adversely. China also cannot rule out the possibility of her own people getting influenced by democracy, freedom, and prosperity for all segments of society, as being enjoyed by the people of Taiwan, and demanding the same. The recent troubles in Hong Kong adequately justify this fear. China will attempt to sideline any Government looking for democracy/constitutional amendments. China will avoid any tangible military action unless the red lines laid by them are crossed.

The US Position

In the “Shanghai Communiqué” the United States said that it did not challenge the claim that there was one China, and while restating its wish for a peaceful resolution to the issue, also agreed to reducing the US forces in Taiwan. The United Nations in 1971 voted for Beijing to replace Taiwan in the China seat. Finally in 1979, official US diplomatic ties with Taiwan were discontinued, in keeping with the US acknowledgement that there could only be one legitimate government in China. Many Americans were upset as they felt that it was “abandonment” of Taiwan. Soon after diplomatic relations were established with the PRC, in 1979, the US Congress passed the “Taiwan Relations Act” to ensure peace, security and stability in Western Pacific, which sought to grant Taiwan the same privileges as a sovereign nation, though it was no longer recognised as one, and it promised to make available “such defence equipment and services, as may be necessary to enable Taiwan to maintain a sufficient self-defence capability.”

In a joint Communication with PRC in 1972, the US had adopted the line of No declaration of independence by Taiwan, No UN seat and No representation in an international organisation, which requires only one membership for a country, in respect of Taiwan; however, the US are opposed to any unilateral changes in status quo by either side.¹⁰

Taiwan is crucial to the US for strategic dominance of South and East China Sea and the Asia-Pacific Region. The US has major trade interests (computer hardware and ease of transshipment of goods in Asia) in Taiwan besides strategic dominance. The US will, therefore, prefer to have a democratic, prosperous Taiwan as an ally, where they have adequate strategic and economic leverage, instead of Taiwan forming part of China.

The US is likely to follow one China policy in near term and may not like any major turbulence in her engagement with PRC by turning Taiwan Strait as flashpoint. The US will, therefore, prefer status quo there, as she has her hands full in other flashpoints and global commitments. The US will continue to help Taiwan build defensive capability. Based on 1979 Taiwan Relation Act, it will continue to provide all kinds of non-nuclear weaponry to include submarines, anti-missile equipment, anti-submarine aircraft, and air defence equipment to Taiwan in future.

Taiwan's Position

The National interest of Taiwan is to ensure own survival, development, well being and safety of its people, protect its democratic system and fundamental rights. They want to enjoy their freedom, democracy and prosperity, but do not want to fight for independence at the cost of prosperity and economic disaster. Majority of Taiwanese population would prefer *status quo* to economically disastrous independence.

In accordance with the people's will, Tsai has vowed to work towards maintaining the *status quo*, peace and stability across the Taiwan Strait, expecting a similar responsible behaviour from China. Tsai has been cautious to neither dispute nor embrace the 1992 consensus. She said ambiguously during her campaign that the 1992 consensus is "one option."¹¹ In her inauguration speech, Tsai avoided mentioning the word "consensus"; instead, she said she respected the "historic fact" that a meeting took place in 1992, during which Taiwan and the mainland sought common ground and tried to set aside differences.¹²

To avoid overdependence on Chinese economy, Tsai wants to diversify its economy; wants Taiwan to join the Trans-Pacific Partnership (TPP) trade agreement and China's Asian Infrastructure Investment Bank (AIIB), expecting the world community to accommodate her with more strategic space, as it was done when Taiwan joined Asia-Pacific Economic Cooperation (APEC) under the name "Chinese Taipei."

Taiwan's Position on South China Sea and East China Sea

Taiwan's position on SCS and ECS is very peculiar as it tends to believe in legality of Nine Dash Line like the PRC from historical perspective; however, knowing overall global mood, and in a bid

to resolve her own contradictory claims on islands and reefs with other countries including PRC, it still aims to follow international laws/conventions on the subject. Taiwan would also not like to have any major differences with the US on this issue; hence, it has focused more on the islands where she has interest, rather than the whole body of water in the Nine Dash line, suspending her claim to the entire waters within the line in December 2005, while still advocating its ownership of concerned land features within the line.

Taiwan has occupied the Taiping (Itu Aba) Island and some reefs (shown as blue dots in the **Map** below) in the Spratlys, since it sent troops there in 1956. The Island used to be the largest among the Spratly, (now surpassed by the PRC's island reclamation



and construction). Taiwan's former Presidents have visited Taiping Island in order to reiterate Taiwan's territorial claim. Taiwan has disputed Vietnam and Malaysia's joint submission to the Commission on the Limits of the Continental Shelf of the United Nations on it. Taiwan has also blamed the Philippines' initiation of international arbitration proceedings against the PRC at the International Tribunal for the Law of the Sea in January 2013, without inviting Taiwan, as a concerned party in this arbitration.

In 2012, Taiwan mooted the East China Sea Peace Initiative (ECS Initiative) which 'de-emphasises the territorial nature of the dispute and focuses on resource sharing and cooperation' presuming that these disputes are not easy to resolve. They managed a Fishery Agreement with Japan in 2013 as a result of the same. Taiwan is proposing a similar SCS Initiative, to resolve SCS problem. However in a dramatic turn when China deployed missile batteries on Woody Island, giving inclination of changing the status quo in the region, the US increased her military posturing. China's neighbours had appealed for restraint. The stance of Taiwan was no different, as President-elect Tsai Ing-wen responded by calling on "all parties to exercise self-control based on the principle of peaceful resolution of disputes in the South China Sea," according to Taiwan's official Central News Agency.

Future of Taiwan

In the immediate future, Taiwan could look for free, self-ruled, democratic entity, beyond Beijing's jurisdiction, which in effect is '*status quo*' to continue. The political statements from Taiwan for greater autonomy and international space will continue, but she is unlikely to cross the Chinese redline of declaring independence or going nuclear. None of the three concerned parties (PRC, US and Taiwan) seem to be interested in spoiling the existing peace and economic development and the economic integration between them has reduced the chances for any military conflict for all the parties. No major changes are therefore visualised in the near future.

A 'Peaceful stability framework' based on the principle of 'no Chinese military intrusion' and 'no formal declaration of independence by Taiwan' for next few decades may be a practical and popular solution between China and Taiwan.

Taiwan – An ‘Act East’ Destination for India

Out of all the challenges which the new President Tsai Ing-wen is confronted with, the most important is rejuvenating the sluggish economic growth of Taiwan, which is marred by shortage/excessive cost of labour, poor demand, lack of raw materials, and heavy dependence on export market, resulting in overdependence on China as manufacturing hub, which restricts her strategic choices. India is a credible alternative, which provides answers to most of these problems. Taiwan needs to diversify her investments, if she needs greater autonomy and freedom.

A growing India needs to propagate her ‘Act East Policy’ with greater vigour to address her strategic, economic and security concerns in East Asia. India needs new trade partners to sustain the proposed economic growth to meet her future aspirations, besides gaining well-deserved strategic space in Asia. In this context Taiwan, with her great economic potential, credible human resource and peculiar strategic concerns is a natural destination.

Indo-Taiwanese engagement has been improving ever since the establishment of trade and cultural offices in Taipei and New Delhi since 1995, the first such office of Taiwan in South Asia. India needs to invite investment and outsourcing from Taiwan, as well as create better investment environment to suit their investors. Taiwan is looking at developing alternate trade partners like India, as it is apprehensive of putting all eggs in one basket (PRC). Stable democracy, low cost labour, trained manpower and mega consumer markets make India, a good investment destination for Taiwan in mutually beneficial terms. Integration of Indian booming software market and Taiwanese information technology hardware and biotech industry has tremendous trade potential. For India, relations with Taiwan could prove useful both in terms of industrial development, economic growth and strategic security.

Conclusion

President Tsai Ing-wen has a very tough task ahead of reforming and rejuvenating the economy, maintaining their autonomy, without becoming a Chinese puppet, and addressing existing social concerns on priority. She needs to diversify her economic engagements with countries like India. She needs to protect democracy and freedom of her people, without upping the ante

with China to endanger the security of Taiwan. She also needs to carve out more strategic and economic space for Taiwan amid Big Power play in Asia-Pacific. She has to engage with China and the US to work out a reasonable '*Peaceful stability framework*' without crossing their red line and not coming under pressure to let them cross hers (emphasis added by author). This would need a step by step pragmatic and practical approach beyond the rhetoric of elections. The international organisations like the UN and WHO should rethink about their policies of leaving out a segment of population (Taiwan) from their social development programmes on political grounds.

Endnotes

¹ Manning Robert A (2016), Taiwan's New President and the Impact on Cross Strait Relations, *Atlantic Council*. pp1

<http://www.realcleardefense.com/articles/2016/01/18/taiwansnew-president-and-the-impact-on-cross-strait-relations-108914.html>

² Su Chin-feng and Jake Chung (2016), Tsai refers to 'Taiwanese Government' in meeting with Palauan President, *Taipei Times*, 22 May 2016.

³ The World Fact Book (Updated 2016).

⁴ Chinmei Sung and Cindy Wang (2016), Taiwan Cuts 2016 Economic Outlook as Exports Seen Falling, *Bloomberg*, 17 Feb 2016.

⁵ Manning, *op.cit.* pp2.

⁶ Rauhala Emily (2016), Taiwan's new president wants to revitalize the economy. Don't expect much help from China, *Washington Post*, 20 May 2016, accessed on 26 May 2016.

https://www.washingtonpost.com/world/tsai-ing-wen-sworn-in-as-taiwans-first-female-president/2016/05/20/3c73d84a-1dff-11e6-82c2-a7dcb313287d_story.html?wpmm=1&wpisrc=nl_ww

⁷ Manning, *op. loc.* pp2.

⁸ *Ibid.*

⁹ Chung Lawrence (2016), Beijing threatens to suspend talks with Taipei until Tsai Ing-wen acknowledges '1992 consensus' *South China Morning Post*, 21 May, 2016.

¹⁰ The China Post (Taiwan), 16 Mar 2006.

¹¹ Manning, *op. loc.* pp2.

¹² Images from above mentioned references and Wikipedia.