

# Asia-Pacific Issues

ANALYSIS FROM THE EAST-WEST CENTER ㄎ

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## Legislative Election in Taiwan May Pose Problems for United States and China

By Ralph N. Clough

**S**UMMARY: The Legislative Yuan election in Taiwan on December 19, when for the first time all members will be elected from Taiwan, will be a crucial turning point in the island's domestic politics and carry important implications for Washington and Beijing. The new legislature will want to wield more power than in the past relative to the once-dominant executive branch, and legislators will be under greater pressure from growing special interest groups in Taiwan. Moreover, residents of Taiwan are becoming increasingly resentful of the glaring gap between the island's economic prominence (the 15th largest trading economy in the world) and its second-class diplomatic status. The chief opposition party, the Democratic Progressive Party, advocates an independent "Republic of Taiwan," while the ruling Kuomintang envisages the eventual reunification of Taiwan with the China mainland after Beijing has adopted a democratic, free-market system. Growing independence sentiment in Taiwan could lead to a critical confrontation with Beijing, which has threatened to use military force to prevent secession.

The United States has sought to maintain good relations with both Beijing and Taipei. U.S. business interests in both places are growing. The United States could help the Taiwan authorities stave off pressures from independence advocates by supporting Taiwan's membership in the General Agreement on Tariffs and Trade, the World Bank and the International Monetary Fund, which the island's economic stature justifies. The growing economic integration of the mainland, Hong Kong and Taiwan will also help prevent a showdown over the independence issue. But U.S. withdrawal of most-favored-nation status from China would slow the integrative trend. Striking the right balance between Beijing and Taipei will be a greater challenge for U.S. policymakers as a democratic Taiwan becomes more assertive.

THE LEGISLATIVE YUAN election in Taiwan on December 19 will be a crucial turning point in the island's domestic politics, with important implications for mainland China and the United States. For the first time all members will be elected from Taiwan. The aging holdovers chosen in 1947 in elections held throughout China constituted a mainlander majority in the legislature until they were all forced to retire by December 1991. The great majority of new legislators will be native Taiwanese. They will be much younger and more energetic than the retiring mainlanders, most of whom were in their seventies, eighties or nineties. The new legislature will be more assertive in its relationship with the executive branch and will increase pressure on the executive to win a more dignified status for Taiwan in the international community.

A more democratic Taiwan with a more powerful legislature will complicate U.S. management of its relations with the island. American policymakers will have to pay more attention than in the past to the views of legislators and to trends in public opinion in Taiwan, which is the fifth largest trading partner of the United States. If popular support for declaring Taiwan an independent republic should increase and the People's Republic of China (PRC) holds firmly to its determination to prevent the island's permanent secession, by force if necessary, the United States would be confronted with difficult decisions. Leaders in the two major political

parties in Taiwan will seek to enlist Washington's support in their cause.

### *The Background*

The December 19 election is the culmination of a process of political change from an authoritarian to a democratic system that began in the 1950s. For 30 years the process moved slowly, obscured by the attention given to the startling pace of Taiwan's economic growth. Nevertheless, behind the screen of strong-man, one-party authoritarian government headed by Chiang Kai-shek and then by his son Chiang Ching-kuo, Taiwanese politicians in large numbers were joining the ruling Kuomintang (KMT), gaining experience in local elections and working their way up the party hierarchy. Concurrently, the social changes set in motion by economic development prepared the stage for democratization: urbanization, rising education levels, an expanding middle class, the emergence of entrepreneurs able and willing to support candidates for office, growing transportation and communication facilities, and an explosion of contacts with the outside world.

In 1986, President Chiang Ching-kuo recognized the need to respond to the growing pressures for fundamental changes in the political system. He announced decisions to lift martial law, which had been in effect since 1949, to allow the organization of opposition parties, and to ease restrictions on publications. Other

political reforms followed in rapid succession, continued by President Lee Teng-hui, a native Taiwanese, who came to power when Chiang Ching-kuo died in 1988. Lee ended the "period of rebellion suppression" in effect since 1948, which had suspended many provisions of the constitution and had given the president almost unlimited powers. The legislature abolished or liberalized laws against subversion. Taiwan's highest judicial body ordered the retirement by December 1991 of all members of the National Assembly (which elects the president and amends the constitution), the Legislative Yuan (which makes the laws) and the Control Yuan (which investigates accusations of official wrongdoing) elected on the mainland in 1947 and 1948. In 1986, 1989 and 1991 opposition parties entered candidates in national elections for the first time and one of these parties, the Democratic Progressive Party (DPP), became the chief rival of the KMT, winning from 18 to 31 percent of the popular vote.

### *The Latest Election*

The legislature elected this month will be a streamlined body, reduced by a constitutional amendment adopted early this year from the 773 seats prescribed by the 1946 constitution to 161. Of that total, 125 members will be elected from 29 multi-member districts in Taiwan. In addition, 36 at-large seats will be allocated to parties in proportion to their success in the district polls. Thirty at-large

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members theoretically represent the rest of China and six represent overseas Chinese.

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There is no doubt that KMT members will win a majority of seats in the new legislature. The DPP has been unable to nominate enough candidates to win a majority, even if all were elected. The ruling party, with over two million members compared to some 20,000 in the DPP, is far better funded, better organized and more experienced than the DPP. Still, DPP leaders hope to corral 30-35 percent of the popular vote, enough to elect a vocal minority that cannot be ignored by the KMT.

The opposition will be helped by the fact that the KMT is no longer as unified as it once was. Factions have formed among KMT legislators. The largest of these, the Wisdom Coalition, composed of native Taiwanese, has challenged the KMT's policy of eventual reunification with a democratic China and has advocated direct popular election of the president, beginning in 1996. The KMT has nominated 98 candidates for the 125 seats and has allowed 27 others to run, but 30 or more additional KMT members are running without party approval. The entry of these mavericks into the race has thrown into disarray the careful planning of the KMT's election managers. The mavericks will take votes away from officially nominated KMT candidates, thus helping the DPP. Some KMT candidates running without party nomination and support are well-known personalities who probably will be elected. They will owe little or nothing to the party once elected. In sum, maintaining party

discipline in the new legislature on crucial issues will be more difficult than in the past and cooperation between KMT dissidents and the DPP may occur from time to time.

The result of all this is that Lee Teng-hui will not be, like his predecessors, a strong-man leader of a one-party state with a compliant legislature. Opponents within the party challenged both his election as party chairman and his election as president. But he has already demonstrated skill at conciliating adversaries, notably in selecting as premier General Hao Po-tsun, one of the group that had contested his nomination for the presidency. His talents as a leader will be further tested as he is forced increasingly to employ the instruments characteristic of democratic politics: negotiation, conciliation, compromise and consensus-building, at a time when he will be harassed by an often unruly legislature.

### *The Emergence of Pluralism*

A striking new phenomenon of the past few years has been the emergence of organized interest groups. In the past, the KMT effectively controlled the labor unions, farmers' and fishermen's associations, women's organizations and professional groups. With the abolition of martial law, however, new organizations independent of the KMT have appeared. The easing of restrictions on strikes and street demonstrations has allowed interest groups to demonstrate on a variety of issues. Chicken farmers demonstrated against government concessions to the United States on the importation of turkey parts. People shut out of the housing market by soaring land prices formed a "snails without shells" organization and

held an all-night "sleep-out" on a downtown Taipei street. Labor unions, women's groups and consumer organizations all became active in seeking popular support for their objectives. Environmental groups have been particularly effective in preventing the construction of petrochemical and nuclear power plants in particular locations and in securing compensation for residents suffering from pollutants emitted by industrial plants.

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Additionally, business influence on the legislature is likely to become stronger than in the past. Campaign expenses are high and wealthy business people increasingly recognize the importance of supporting candidates who will vote in favor of their interests. Commentators predicted that the election campaign for the Legislative Yuan could be the most expensive in Taiwan's brief history of democratic elections.

These developments mark the beginning of a new era in the activity of interest groups. In the past, interest groups sought to accomplish their objectives by influencing officials in the executive branch, but the increasing importance of the legislature has caused them to turn to lobbying that body to obtain the passage of legislation favorable to their interests. No longer will the majority of the legislators be secure in their seats for the indefinite future. In order to be reelected every three years, in increasingly expensive campaigns, each legislator will have to show responsiveness to the demands of special interest groups and of the public in general. A literate public and close attention

to public issues by the press will ensure that interest groups receive a hearing.

### *Changing Relations with Mainland China*

In 1987, while political reform was getting underway, Chiang Ching-kuo made another decision with far-reaching consequences. He authorized residents of Taiwan to travel to the mainland by indirect routes such as via Hong Kong or Japan to visit relatives. The public responded enthusiastically and soon tens of thousands were making the trip, not only to visit relatives, but to engage in trade and investment, to do reporting for Taiwan's newspapers and television, to compete in sports events, to confer with professional counterparts, or just to sightsee. By 1992, more than three million visits had taken place. Tight restrictions by Taipei prevented an equivalent reverse flow of visitors from the mainland to Taiwan, but by 1991 more than 20,000 visits had occurred and restrictions have since been eased further.

The increasing trade between Taiwan and the mainland and substantial investments on the mainland by Taiwan's entrepreneurs have now created more lasting bonds than travel alone. The two economies are complementary. Rising wages and land prices in Taiwan and the appreciation of the Taiwan dollar are pricing the island's labor-intensive export industries out of the world market. On the mainland wages are one-tenth of those on Taiwan and land is cheaper. Inducements to investors and the similarity of language and customs facilitate investment, mainly in fast-growing Fujian and Guangdong provinces. The infusion of Taiwan capital and managerial and marketing skills has

contributed to the surge in PRC exports in the past three years. In 1991, two-way trade reached \$5.8 billion and mainland investments by Taiwan business people exceeded \$3 billion. Trade and investment continued to increase rapidly during 1992. (See table on last page.)

Both governments encourage this people-to-people interaction, each for its own purposes. Beijing sees the growing unofficial network as reducing the risk of Taiwan independence and improving the prospect for eventual unification. Taipei sees the interaction as easing tension across the Strait and promoting the peaceful evolution of China into a democratic, free-market system. People on both sides of the Strait benefit economically from the trade and investment. The PRC is pressing for direct trade and travel across the Strait and the lowering of restrictions on travel to Taiwan by residents of the mainland. Taipei has declared that it will not authorize direct trade and travel until the PRC has dropped the threat of force and its efforts to isolate Taiwan diplomatically. Taipei also fears that too much trade and investment will make Taiwan economically dependent on the mainland and hence vulnerable to PRC pressure.

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The new legislature will make the formulation and management of mainland policy by the executive branch more complex and difficult. Business-oriented legislators, under pressure from their constituents, will press for the approval of direct trade and travel, which would greatly facilitate doing business on the mainland.

They will also urge broadening the range of industries authorized to invest on the mainland. Individual legislators will be more concerned with benefits to particular segments of the economy than the ministers who must weigh the costs and benefits to society as a whole.

### *Taiwan's Identity Problem*

The Republic of China (ROC), as the Taiwan government calls itself, with its 20 million inhabitants and a GNP of \$180 billion in 1991, has become the world's 15th largest trading nation and the fifth largest trading partner of the United States. It has accumulated more than \$90 billion in foreign exchange reserves. It is one of the leading investors in Southeast Asia. Per capita GNP stood at \$8800 in 1991.

Despite its importance to the world economy, the ROC is not a member of the United Nations or any of its associated organizations. It was expelled from the World Bank and the International Monetary Fund when the PRC took the China seat in those organizations. It has diplomatic relations with only 29 countries, mostly small states in the Caribbean or Pacific. It has remained a member of the Asian Development Bank and joined the Asian Pacific Economic Cooperation (APEC) group, but only by accepting the designations of "Taipei, China" or "Chinese Taipei." Its application to the GATT is as a "customs territory," not as the ROC. The PRC, which regards the government in Taiwan as a provincial government of China, has successfully kept Taipei out of nearly all intergovernmental organizations and refuses to maintain diplomatic relations with any government that establishes diplomatic relations with Taiwan.

Nevertheless, and much to Beijing's chagrin, other nations have increasingly accorded higher level "unofficial" attention to Taiwan. One reason is the island's \$300 billion, six-year public works program that has attracted much attention from companies eager to win large contracts. France, Germany and other European countries have for the first time sent cabinet ministers on "unofficial" visits to Taiwan to promote the interests of their nations' companies. Determined not to be left out, the United States this month sent U.S. Trade Representative Carla Hills, the highest U.S. official to visit Taiwan since 1979, to meet with senior officials.

Although Taiwan has functioned effectively for the past two decades as a de facto independent state, its citizens increasingly resent its second-class diplomatic status. The DPP rejects the official policy of eventual reunification with China and calls for the establishment of a "Republic of Taiwan," completely separate from mainland China, which would seek membership in the United Nations and recognition from the world community as a new state. DPP members point to international recognition of parts of the former Soviet Union and Yugoslavia as new states and argue that the nations of the world would similarly welcome the new Taiwan republic. KMT leaders respond that the PRC would not only veto any attempt by Taiwan to enter the United Nations and break relations with any country that established relations with Taipei, but would also carry out its threat to use military force against the break-away province.

The DPP's demand for independence was the primary issue in last year's election of the National Assembly. PRC leaders watched the campaign with apprehension,

reiterating harsh warnings that a declaration of independence would trigger a military reaction from the mainland. The KMT won a decisive victory, as the bulk of the voters opted for the status quo, rather than for the risky independence option.

The independence issue is also a factor in the December 1992 election, although not in the clear-cut fashion of last year. The KMT mainstream supports the official policy of eventual unification of Taiwan with the China mainland once the government in Beijing has adopted a democratic, free-market system, recognized the government in Taiwan as a political entity and dropped the threat of force and the effort to isolate Taiwan in the international community. The DPP continues to reject the policy of unification and to favor an independent Taiwan republic, although there are differences within the DPP as to the tactics to achieve this goal. Now a group has appeared within the KMT that seeks a middle ground, not advocating a republic of Taiwan, but calling on the government of the ROC to formally abandon its claim to mainland China and Mongolia.

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The PRC continues to reject any form of "two Chinas" or "one China, one Taiwan" holding firmly to its demand for "one country, two systems" in which Taiwan would become a special administrative region under the PRC, with a substantial degree of autonomy, including its own army. In late October, Politburo Standing Committee member Li Ruihuan was

quoted as telling a group of Hong Kong and Taiwan journalists: "Our stance on the Taiwan independence issue is firm and unequivocal: we'll fight if necessary to maintain our territorial integrity." Although Li's reported warning has not appeared in the official press on the mainland, it was widely circulated in Taiwan.

### *Implications for the United States*

The appearance in Taiwan for the first time of a legislature elected entirely by the people of Taiwan, a body determined to maximize its power relative to the executive branch and more closely linked with special interest groups, will make U.S. relations with the island more complex and difficult to manage. Decision-makers in Washington will need more information than in the past concerning the opinions and objectives of influential legislators. Trends in public opinion and the views of interest groups will have to be followed closely. The absence of any resident correspondent in Taipei for the U.S. newspapers will impose a heavy burden on the staff of the American Institute in Taiwan (the surrogate U.S. embassy) for accurate and comprehensive political and economic reporting. To avoid potentially costly misunderstandings between Washington and Taipei, effective channels for explaining U.S. policy to key figures in Taiwan's executive and legislative branches will be more important than ever.

The most difficult potential problem in U.S. relations with Taiwan arises from the Taiwan independence movement and the espousal of independence by the DPP. Since the shift of its diplomatic relations from Taipei to Beijing in 1979, the United States has generally maintained good

relations with both the PRC and the government in Taiwan. Because both of these governments insist that Taiwan and mainland China should eventually be unified, it has been easy for the United States also to embrace a "one China" or "one China but not now" policy. The U.S. position has been that it will not pressure either side to negotiate nor will it mediate between them. Washington says it will accept any solution to the Taiwan problem worked out peacefully by the Chinese on each side of the Strait. U.S. opposition to any use of force against the people of Taiwan is spelled out emphatically in the Taiwan Relations Act of 1979.

Taiwan independence advocates will do their best to enlist the United States to support their efforts on the ground that the people of Taiwan are entitled to self-determination. The Formosan Association for Public Affairs (FAPA), a lobbying organization of Taiwanese in the United States that is closely associated with the DPP, recently launched a drive on Capitol Hill to bring about a change in the U.S. government's one-China policy.

If the people of Taiwan be-

come increasingly disenchanted with their government's anomalous position in the world community and attacks on the government's reunification policy become stronger, the carefully balanced U.S. position will also come under pressure. The Taiwan issue between the United States and the PRC had been quiescent for 10 years until President Bush approved the sale of 150 F-16s to Taiwan in September 1992. The strains will continue in U.S.-PRC relations if the debate in Taiwan on the future of the island intensifies and the adversaries try to enlist the United States on their side.

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Meanwhile, Taipei will seek active U.S. support for its admission to intergovernmental organizations. Convincing arguments can be advanced that Taiwan's economic prominence justifies membership in GATT, the World Bank and the IMF. KMT leaders feel a need to strengthen Taiwan's international

position to stave off pressures from the independence advocates. For their part, the independence advocates will argue that these are half-way measures and that Taiwan's international status can be secured only by a declaration of independence backed by the United States.

A showdown over the independence issue may be prevented by the increasing economic integration of Taiwan, Hong Kong and mainland China, favored by pragmatic leaders in all three areas. U.S. policy has encouraged this trend. But a U.S. decision to withdraw most-favored-nation status from the PRC could jeopardize the trend toward economic integration. It would stifle exports to the United States, seriously damage the interests of Hong Kong and Taiwan investors in the China mainland, and cripple the expansion of the free market economy in Southeast China.

In short, the incoming Clinton administration should pay close attention to the impact of the new, predominantly Taiwanese legislature in Taiwan on relations between Taipei and Beijing and on U.S. relations with both the PRC and Taiwan.

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### Commodity Trade between Taiwan and the Mainland through Hong Kong

unit: US \$ million

Year	From Taiwan to Mainland		From Mainland to Taiwan		Trade Balance	
	amount (1)	as % rate of increase	amount (2)	as % rate of increase	amount (3) (1)-(2)	as % of total trade
1979	21	—	55	—	-34	—
1980	242	1,037.80	78	40.65	164	51.25
1981	390	61.07	76	-2.82	314	67.38
1982	208	-46.65	89	17.90	119	40.06
1983	168	-18.98	96	6.77	72	27.27
1984	425	152.38	127	33.04	298	53.99
1985	987	132.13	116	-9.16	871	78.97
1986	811	-17.91	144	24.25	667	68.84
1987	1,226	51.27	289	100.47	937	61.85
1988	2,242	82.81	478	65.68	1,764	64.85
1989	2,896	29.18	596	22.60	2,310	66.34
1990	3,278	13.18	765	30.41	2,513	62.16
1991	4,667	42.37	1,126	47.19	3,541	61.13

Source: Kao, Chang and Tzung-Ta Yen, *The Current Condition and Development Trend of Economic Exchange Across the Taiwan Straits*, Mid-term Project Report, Chung-Hua Institution for Economic Research, January 1992, as cited by Ching-Lung Tsay, in "Taiwan and Prospects of Economic Interactions in East Asia," November 1992. Data of the commodity trade originally came from the Hong Kong Government.

## The East-West Center

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