

Shaping the Future

Part I: Domestic Developments in Taiwan

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Three main themes emerged in Taiwan politics in the wake of President Ma Ying-jeou's convincing reelection victory in January: in a highly contentious election that portended continuing intra-party strife, the DPP chose its new chairman, former Premier Su Tseng-chang; the DPP and KMT ended up in a total impasse in the LY over the issue of allowing U.S. beef into Taiwan until the relevant UN body provided a face-saving way out; and Ma experienced a rapid and steep decline in his public support rate, and difficulty even within his own party over his policies on American beef, utility rates, gasoline prices, and taxes. In all three areas we are likely in for continuing tugs-of-war.

In addition, while Ma pushed hard on various aspects of Taiwan's medium- and long-term external economic ties, the short-term international economic situation in major trading partners such as the EU, the United States, Japan, and even China remained uncertain, and forecasts for Taiwan's economic growth this year sagged. Unsurprisingly, public opinion polls on the island reflected a sense of pessimism about the prospects for near-term recovery.

This essay addresses those issues. In Part II, to appear in issue 39 of *China Leadership Monitor*, we will discuss the Mainland's reaction to Ma's victory—and to his subsequent political problems—and to the DPP's positioning, as well as the U.S. reaction and prospects for ties between Washington and Taipei in the period ahead.

Politics in Taiwan—Never a Dull Moment

The DPP

As discussed in our last essay,¹ Tsai Ing-wen stepped down from the DPP chair following her defeat in the presidential contest in January, yielding her post to an interim successor—Kaohsiung Mayor Chen Chu—while the party fought over selection of a permanent replacement. Former Premier Su Tseng-chang stood against a number of more “fundamentalist” candidates, who strove to make the case that Su would make too many compromises in order to develop a pragmatic relationship with the Mainland. One fundamentalist leader argued that Su was not really “pro-Taiwan” or “pro-independence,” and that he would not be interested in reform of party affairs, anti-Ma activities, or

dealing with the issue of former President Chen Shui-bian, who was languishing in prison for various crimes of corruption.²

Everyone agreed that the DPP needed to find a way to enhance dialogue, exchanges, and understanding with the Mainland, but Su's opponents insisted on explicitly reaffirming the party's pro-independence doctrine, while the former premier, though not challenging the substance of that position, favored a more nuanced stance that he hoped would allow Beijing to deal with the DPP on a party-to-party basis.

Terminology regarding the PRC became something of an issue even when Chen Chu was still temporarily in the chair. At one point, when answering questions from the Kaohsiung City Council, she referred several times to "Mainland China," a term that had spurred the DPP to roundly criticize Ma as a "spokesman of the China government" when he adopted it for his administration some time earlier.³ Hence, Chen's choice of words caused concern among some in the party as signaling a weakening of the important distinction between "China" and "Taiwan." However, former chair Tsai Ing-wen said there was no need to make a special fuss over the issue and that "China" and "Mainland China" could be used interchangeably. Moreover, a DPP spokesman, on behalf of Chen Chu, also called on people not to overinterpret the term, saying that party spokespeople would still refer to "China" in official contexts.⁴

Although some in his camp reportedly indicated a willingness by Su Tseng-chang to consider flexibility regarding names,⁵ in fact, shortly after winning the party chair election on May 27, Su made known he would use "China" rather than "Mainland," describing the former as a more "neutral" term: "All the countries in the world call it China. China also calls itself China."⁶

At the same time, Su took several steps he hoped would facilitate DPP dialogue across the Strait. He announced he would reactivate the party's "Department of Chinese Affairs" (scrubbed in 2007 by then-DPP chairman Yu Shyi-kun and folded into the International Affairs Department).⁷ Going beyond that, Su said he would also form a new "China Affairs Committee" to be made up of experts, scholars, local DPP leaders, and other interested participants, who would help guide the party's search for an appropriate cross-Strait policy. Although some called for a debate on the substance of policy before a China Affairs Committee was formed—most prominently Frank Hsieh Chang-ting, who argued that, without a debate, the party would continue to be exhausted by internal frictions over Mainland policy⁸—Su came down in favor of a deliberative approach instead, stressing that reaching a consensus was more important than having a debate.⁹

Su's more flexible ideas were broadly welcomed in the DPP as a framework for engaging and better understanding the PRC. As one leading DPP stalwart observed, the electoral gap between Tsai and Ma in Taipei and New Taipei alone accounted for 500,000 of the overall gap of 800,000 votes: "This shows that voters in the urban areas and industrial sector had misgivings about the DPP's ability to handle the China issue."¹⁰

That said, Su warned that although the DPP had lost the previous two presidential elections, it should not be trapped in the “myth of defeat” (不能因此陷入「敗選迷思」), thinking that whatever the party had stood for in the past was wrong and must be revised. Much as Tsai Ing-wen had done,¹¹ Su took the view that there was “nothing wrong” with the DPP’s basic stance (民進黨的基本立場並沒有錯). At the same time, he said that the party must keep up with the times and take more comprehensive and flexible approaches to relations with Taiwan’s large neighbor. Instead of avoiding contact with the PRC, the DPP should interact with it in a more confident and positive manner. Su said he would not rule out visiting the Mainland as long as the time was ripe and no preconditions were set—and provided that he could do so in the capacity of DPP chairman.¹²

Despite continuing efforts by such outspoken DPP leaders as Frank Hsieh to promote ideas such as a “Constitutional consensus” (憲法共識) and a “Constitutional one China” (憲法一中) in an effort to bridge the cross-Strait gap,¹³ Su seemed unwilling to challenge party orthodoxy to that extent. He argued that the DPP did not lose the January presidential election because it refused to embrace the “1992 Consensus,” but because the party did not handle it well (我們沒有處理好) and regularly gave the impression of rigid, inflexible “opposition” (因為民進黨平時給人家「逢中必反」的僵硬刻板印象). For Su, it was not a question of recognizing “1992 Consensus” or not. “Even if we wanted to recognize ‘one China,’ Ma Ying-jeou has beaten us to the punch. People would want the original, and not some imitator.” So rather than accepting the “one China” principle or abandoning the party’s basic values regarding independence, sovereignty, democracy, and freedom, what the DPP needs to do, he said, is to change its attitude and methods (態度和方法一定要改變), using dialogue instead of confrontation, interaction with the Mainland to pursue mutual interests and mutual benefits, and promotion of coexistence and co-prosperity.¹⁴

For all of this discussion regarding introspection within the party, Su’s newly appointed head of policy research, Joseph Wu Jau-hsieh, indicated that there would be no change in the party’s basic position toward the Mainland as expressed in the 1999 Kaohsiung resolution,¹⁵ and he even went so far as to say that he would “really love” to hold conferences, and collect information, on Beijing’s human rights violations, and to work with Chinese dissidents.¹⁶ Little surprise, therefore, that when Su stated his willingness to consider visiting the Mainland “without preconditions,”¹⁷ the Taiwan Affairs Office spokesperson said that, while the door was wide open, the real issue was when the DPP would tear down the obstacle the party itself had created through adherence to its “one country on each side” position of “Taiwan independence.” Nor was it surprising that when he reiterated his ideas about travel to the Mainland in late June,¹⁸ a PRC official connected with Taiwan affairs once again responded that if the DPP did not change its “Taiwan independence” position, party-to-party talks would be impossible.¹⁹ (The PRC’s approach to Taiwan in the post-election period will be discussed in more detail in the next essay in this series.)

Su also focused on foreign affairs more broadly, reiterating after being elected his intention to strengthen the international affairs department, restore the position of representative to the United States (which had been downgraded to a liaison function

since Chen Shui-bian had assumed office), and even send a representative to Japan if the party could afford it.²⁰

And on the domestic front, Su pledged to promote three things: Taiwan's self-determination by all the people, not just the ruling party; tolerance and discrimination-free treatment of all the people regardless of gender, age, ethnicity, religious creed, or order of arrival in Taiwan; and sustainable development that emphasizes comprehensive growth sensitive to environmental concerns.²¹ In this context, he vowed to protect everyone's human rights and to create a fair society, a healthy education system, and clean government.²²

Su won the DPP chair by over 50 percent of the record-setting vote against his four opponents,²³ but this was still the lowest percentage of ballots garnered by any DPP chair in the party's history.²⁴ Thus it was obvious from the outset that Su would need to appease various factions in the party, and he set about drawing the senior party officers from among people close to other longtime DPP stalwarts. Whether this will, in fact, make his leadership burden easier remains to be seen. But with Tsai Ing-wen attracting equal or better support from within the party for the 2016 nomination,²⁵ and with her having successfully backed the winning candidates for chair of the party chapter against Su's candidate in the new chairman's former bailiwick of New Taipei as well as in Taipei City,²⁶ the challenge was obvious.

Throughout, Tsai maintained a relatively high profile. Not only did she open her own office and website and establish a policy foundation, but she told one television interviewer that she would continue to make herself an "option" for the 2016 presidential nomination.²⁷ She seemed to give substance to that statement by posting a well-publicized "open letter" to Ma Ying-jeou challenging the president over KMT honorary chairman Wu Poh-hsiung's reference to "one country, two areas" (一國兩區) during his March 2012 meeting with Hu Jintao in Beijing.²⁸

On the eve of Ma's re-inauguration, when Tsai joined interim chair Chen Chu and soon-to-be chair Su Tseng-chang in leading a three-pronged demonstration against the president, she was seemingly the most vocal of the DPP critics. She dismissed an apology Ma offered for adopting burdensome policies and insufficient communication of his policies²⁹ and called on the president not just to apologize, but to consider seriously where his actions and thinking had gone wrong and to take effective steps to fix his errors. Playing on the perception of Ma's aloofness, Tsai said his lack of empathy was the most serious problem: "Reform has to be done in light of the people's feelings, their lives, and their ability to adjust."³⁰

Relations between rivals Su and Tsai doubtless did not improve after jailed former president Chen Shui-bian sent a letter to a popular magazine stating that when Su was premier and Tsai vice premier, the former sought on more than one occasion to have the latter ousted.³¹ Reported efforts by Su's camp to sideline Tsai by promoting her candidacy for mayor of Taipei in 2014 were also thought by some as likely to have a

similarly corrosive effect³² (although other reports indicated that Tsai was, in fact, seriously considering the Taipei possibility³³).

For her part, Tsai held a mysterious evening meeting with LY Speaker Wang Jin-pyng in mid-July without letting Su know ahead of time. Although it allegedly was “merely” to discuss Tsai’s plans for the “Little Ing Foundation,”³⁴ legislative matters were also brought up. All of this led to considerable speculation not only about Wang’s own political agenda, but also about Tsai’s ambition to play a large role in shaping the LY agenda on behalf of the DPP caucus rather than ceding leadership to Su as the current party chairman.³⁵

In the intra-party elections at the mid-July DPP congress, the “New Su Alliance” emerged as the most powerful group, taking five out of the 10 Central Standing Committee seats.³⁶ On the other hand, others cautioned that with Tsai’s new policy foundation, her relationships with Lee Teng-hui and Wang Jin-pyng, and her strong influence in the LY, a “Tsai faction” is in place and makes her well matched with Su in terms of influence.³⁷

All of this set the scene for an interesting two years within the DPP in terms of policy, politics and personalities leading up to the major urban center elections in 2014 and, beyond that, to the presidential contest in 2016.

The KMT and the Ma Administration

Meanwhile, President Ma suddenly found himself struggling to find firm footing in the immediate wake of his solid election victory. Following what some saw as a design to take unpopular decisions early in his second term and then regain whatever support he lost as he moved into his final three and a half years, Ma announced a hike in electricity rates and the price of gasoline, controversial appointments to the National Communications Commission, proposals for new capital gains–related taxes and, perhaps most crucially in political terms, his determination to abandon the current total ban on a leanness-promoting agent in imported American beef and establish in its place a minimum acceptable level of the agent.³⁸ All contributed not only to harsh criticism from the DPP, but to a plummeting level of support among the general public and grousing from within his own party, probably far more than Ma or his advisers contemplated.

Ma eventually decided to implement the electricity rate increase in three phases,³⁹ and the finance minister’s resignation opened the way to easing of the brouhaha over the capital gains tax.⁴⁰ For many commentators the issue was not the necessity of introducing these various measures—objectively many thought they were necessary.

The issue for many was leadership. The perceived lack of transparency in the government’s decision-making process and the number of unpopular policies announced in a short period of time struck some as reflecting Ma’s arrogance and indifference to public opinion.⁴¹ As others put it, “the administration should squarely address its lack of policy promotion, cross-party coordination and policy paralysis.”⁴²

The criticism from within the KMT came especially from those legislators who felt vulnerable to the rising complaints from their constituents.⁴³ Reports emerged that some KMT members even favored Ma stepping down as party chair.⁴⁴ The party dismissed these reports,⁴⁵ and Ma reaffirmed his view that heading both the KMT and the government facilitated smooth cooperation between them. “At this stage,” he said, “I believe it is better to serve concurrently as KMT chairman than to give up the post.”⁴⁶

Still, while he staunchly defended his policies and asserted that he was paying attention to public opinion and that the administration had thoroughly reviewed the proposed measures in the Cabinet and in consultation with experts,⁴⁷ Ma also took note of the fact that some of them had “caused inconvenience and concern” among the public. He said he understood these feelings and felt sorry about the situation. In the future, he pledged, even though some reforms could not wait, the government would take the interests of the majority of the people into account “to the extent possible” (在可能範圍內), so that government policy would be more reflective of public views and would show greater empathy.⁴⁸

As indicated, among the contentious issues leading to such public distress, the most hotly debated was the question of importing American beef containing traces of the leanness-enhancing feed additive ractopamine. Not only had this issue led to physical confrontation in the LY on more than one occasion,⁴⁹ but, in a questionable display of “democracy in action,” the DPP successfully blocked a vote on the proposed easing of the import restrictions by occupying the LY podium for five days and four nights at the end of the regular legislative session in mid-June.⁵⁰ Nonetheless, despite the importance the administration placed on a change in order to promote Taiwan’s economic vigor and competitiveness,⁵¹ and despite urging from within the KMT legislative caucus, the administration said it would not resort to an executive order.⁵² Rather, it would await LY action in a special session to be convened July 24–27.

This set of events coincided with the suggestions of some groups that the administration wait until the Codex Alimentarius Commission (CAC), the UN’s body on food safety, met in Rome in early July to set a new international standard that Taiwan could adhere to.⁵³ In fact, the delay in the LY made this approach feasible in the end.

The reality was that the CAC had considered ractopamine standards for several years and had failed to act due to disagreements primarily between the United States and European countries—including over trade-related issues rather than “purely based on scientific perspective.”⁵⁴ On this occasion, however, and to the surprise of many, the Commission did in fact rule by a narrow margin that certain levels of ractopamine in beef and pork were safe.⁵⁵ The U.S. was credited (or blamed, depending on one’s perspective) with facilitating this outcome through parliamentary maneuvering at the commission meeting.⁵⁶

Although the standard adopted accorded with the standard the Ma administration had been promoting,⁵⁷ in light of the extreme political sensitivity of the issue the administration nonetheless said that that decision would be used only as a “reference”

and would not be allowed to dictate a new policy.⁵⁸ At the same time, Ma hailed the decision as opening the door to resumed trade talks with the United States and laying a foundation for broader involvement in regional trade arrangement. He urged rapid movement on the administration's bill, pledging that he would stick to earlier promises on clear labeling, treating pork and beef separately,⁵⁹ and excluding the import of innards. The president also reiterated a rather sweeping pledge made a month earlier by the minister of health during the LY debate,⁶⁰ saying if anyone fell sick from eating U.S. beef containing permitted levels of ractopamine residue, the government would take responsibility for the health of that person. At the same time, Ma said, the government would not only seek compensation from the relevant business but also would immediately halt the import of U.S. beef.⁶¹

For its part, the DPP seized on the CAC decision as a way out of what was becoming an untenable position⁶² and endorsed the new standard on the grounds that Taiwan should not be "out of step" with the international community.⁶³ That said, the opposition party called on Ma to keep his pledge about other restrictions and vowed that it would keep a sharp eye out for any indication that meat with ractopamine residue above allowed levels was illegally slipping into Taiwan or that meat legitimately imported was causing health problems.

But just as Ma was having problems keeping all KMT LY members in line, some gaps appeared between the DPP party position and the stance of members of the DPP legislative caucus. Some caucus members said that, despite the party's statement, they would continue opposing the use of ractopamine. As one put it, "I have no idea what the party is thinking. Is it not necessary to [have a discussion] with its members on such a big issue?"⁶⁴

The caucus then published a statement saying it could accept the conditional easing of the zero-tolerance policy against ractopamine, but only if the administration met six conditions.⁶⁵ Although much of this hard-line posturing seemed for show, the intra-party controversy continued for some time, and one could easily imagine that this was among the points on Su Tseng-chang's mind when he said that "a political party needs to be able to accept different ideas and pay attention to various needs in society".⁶⁶

At the end of the day, the DPP decided not to obstruct a vote to pass the administration's bill. A separate nonbinding resolution was passed stipulating that establishment of permissible limits only applied to beef and not pork, hogs, or cattle organs "out of consideration of local dietary habits."⁶⁷ Although pig farmers expressed concern that, by not writing these provisions into law, the LY had left the door open to a later administrative decision to allow in pork containing ractopamine residue,⁶⁸ this handling was designed to bypass the issue of WTO "legality" of the basic bill. The bill also did not specify the standard to be applied to beef, though it was widely assumed it would follow the guidelines approved by the CAC. In any case, the Department of Health said it would take several weeks to determine and then implement that standard.⁶⁹

In light of this schedule, although President Ma and other officials expressed hope for early resumption of U.S.-Taiwan TIFA talks, the ministry of economic affairs suggested that a realistic target date was probably the end of this year or early next year.⁷⁰

Even if the American beef issue was resolved, the fact remained that from a situation in which he won reelection by a surprisingly wide margin in January, the beef issue and then the cascade of other problematic questions caused Ma's "satisfaction" rating to drop from around 40 percent during the months before and immediately after the election to only 15 percent in early July, according to one poll. Correspondingly, although dissatisfaction had been declining fairly steadily for most of the previous year from 50 percent in April 2011 down to 37 percent in early February 2012, it spiked to almost 70 percent in early July.⁷¹

As far as his policy toward the Mainland was concerned, having stressed in other fora the economic, travel, educational, and other benefits derived from cross-Strait ties, in his inaugural address Ma addressed relations with Beijing primarily in terms of national security.⁷² He identified three pillars of national security—cross-Strait peace, viable diplomacy, and a strong defense—rating each equally important and in need of development in a balanced manner.

The first pillar was the use of cross-Strait rapprochement to realize peace in the Taiwan Strait. Its primacy of place in his listing was amplified the day after his inauguration when he told an American congressional delegation that cross-Strait reconciliation not only can bring peace and prosperity, but also constitutes Taiwan's "first line of defense and security" (我國防安全的第一道防線).⁷³

In this context, Ma took on the issue of his adherence to a "one China, two areas" position that had aroused such controversy during honorary KMT chairman Wu Poh-hsiung's visit to Beijing in March.⁷⁴ The president defended his embrace of that position, noting that "one China," "naturally" meant "the Republic of China," and going on to argue that "one Republic of China, two areas" was embedded in the Constitution and had been the policy of three presidents over two decades.

This is an eminently rational and pragmatic definition, and constitutes the basis for assuring the ROC's long-term development and safeguarding Taiwan's security. Both sides of the Taiwan Strait ought to squarely face up to this reality, seek common ground while respecting differences, and establish a consensus regarding "mutual non-recognition of sovereignty and mutual non-denial of authority to govern." Only in this way can the two sides move forward with confidence.⁷⁵

In presenting the second pillar of national defense, "viable diplomacy to establish more breathing space for ourselves in the international community and boost our contributions to international society," Ma called for expanded participation in international organizations, specifically naming the International Civil Aviation Organization (ICAO) and the UN Framework Convention on Climate Change

(UNFCCC), which have been on Taipei's agenda for some time. He also called for "mutual tolerance and assistance" by participants from both sides of the Strait in international NGOs.

Addressing his third pillar, "a strong national defense to deter external threats," and following up on his repeated refrain that Taiwan's security cannot depend on Beijing's "goodwill,"⁷⁶ Ma focused on self-sufficiency and new-generation fighting capabilities, but he also said Taiwan would continue to purchase defensive weapons that Taiwan cannot manufacture itself. These purchases, he said, will provide an appropriate defensive force that will give the government and public "greater confidence and willingness to pursue continued stable and solid development of cross-Strait relations" (使政府與人民更有信心與意願，繼續穩健發展兩岸關係).⁷⁷

(We will discuss the PRC's attitude toward these various propositions in the second part of this essay in *CLM* 39.)

In addition to identifying the key themes of his domestic agenda for the next four years,⁷⁸ Ma used the inaugural address to reiterate his hope to engage in dialogue with opposition leaders, showing the people that the ruling and opposition parties can not only compete but also cooperate. However, given the president's difficult situation, and with Su Tseng-chang emerging as the most popular politician in Taiwan,⁷⁹ the DPP leader showed no interest in such a get-together. Su told reporters that Ma would be better off concentrating on "the mess" that he and his administration had created rather than seeking to "shift the focus away" from recent social and political turmoil.⁸⁰

Adding insult to injury, toward the end of the period covered by this essay, the Secretary-General of the Executive Yuan, who had been appointed with Ma's strong backing, confessed to having extorted huge bribes while in former positions. Ma was pilloried for pressing for the appointment in the first place, seeming not to take the charges seriously when they first became public, and then appearing to take little action beyond calling on his administrative team to "learn a lesson" from this case about exercising caution in selecting political appointees.⁸¹

The DPP Central Standing Committee seized on the issue to deliver a five-point demand for an official apology to the nation, a Cabinet reshuffle, an immediate administrative investigation into the scandal, reorganization of state-run companies, and the return of illegally seized party assets. The DPP legislative caucus termed the scandal "the greatest governance crisis in the nation's history." DPP members not only called for Ma to thoroughly investigate his administration, but also to invest the premier with more independent powers. They also apparently felt justified in crossing party lines to urge that Ma to step down as KMT chair.⁸²

While Ma once again declined to give up his party leadership position,⁸³ he pledged a thorough investigation of the scandal and called for law enforcement agencies to "prosecute exhaustively without any exception or compromise."⁸⁴ He also ordered senior officials to review and reinforce all anti-corruption measures.⁸⁵

The seriousness of the issue for the Ma administration was plain. The president noted that not only had the case damaged the nation's image, but it had disgraced the administration as well.⁸⁶ How extensive the damage is and how much it will weaken the administration's ability to recover from the already difficult political situation it faces are questions that can be answered only with time.

Economic prospects

As we have indicated, Ma Ying-jeou viewed the U.S. beef issue importantly through a prism of the requirement to strengthen economic ties with the United States as a prerequisite to positioning the island for participation in regional economic arrangements, including the Trans-Pacific Partnership (TPP), membership in which he has now set as his goal in eight years rather than his previous target of 10 years.

Although resolution of the beef issue was one of the most important benchmarks for Ma, by the end of the second quarter of 2012, he was able to point to a long list of new or prospective economic relationships, including with Singapore, New Zealand, Japan, India, Malaysia, the EU, and South Korea. Some were more "real" than others at this point, but the urgency behind these efforts reflected a renewed sense of concern that Taiwan was being left out of the continuing process of institutionalizing trade and investment ties on the parts of states in the region. The potential development of a trilateral PRC-Japan-Korea Free Trade Area was particularly concerning,⁸⁷ even if some people acknowledged that such an agreement would not be easy or quick.

Ties with the PRC, of course, remained the biggest piece of the effort, but difficulty in negotiating follow-on agreements to ECFA were already proving frustrating. We will discuss this in more detail in the next essay, but as of this writing, it seemed as though the elusive agreement on investment protection might actually be signed, along with a customs agreement, in August. Moreover, some progress was reported on three other agreements covering dispute resolution as well as trade in goods and services.

Still, an executive branch decision to complete all agreements with Beijing within a year rather than over the original two-year schedule⁸⁸ was driven by concern that, if ECFA negotiations were not in place before a PRC-Japan-Korea FTA was concluded, Taiwan could lose all the advantages gained through ECFA.⁸⁹ Underscoring the seriousness of that concern was Ma's statement that he would personally oversee those talks.⁹⁰

At the same time, in his inaugural address Ma emphasized Taiwan's need to enhance its overall competitiveness not just through trade and investment agreements but through thorough domestic economic reform. He focused in particular on the urgency of economic liberalization—on Taiwan abandoning its "protectionist mindset"—and industrial restructuring although he also listed several other crucial measures relating to finance, education, and energy.⁹¹

As part of the effort to promote sales abroad, the government determined to invest significant resources in bolstering Taiwan's export business, including expansion of trade financing support and intensification of the exploration of emerging markets.⁹² The Ministry of Economic Affairs specifically identified 10 manufacturing and service industries it would help to improve their technologies and design capabilities in order to boost the value added of their products.⁹³

Looking at the short-term picture, the slowing Mainland economy was troubling,⁹⁴ but it was not the entire story. Taiwan's overall exports declined by almost 5 percent (year-on-year) in the first half of 2012,⁹⁵ in part due to the high comparison base from last year, but importantly because of the slowdown in European imports due to the ongoing debt crisis as well as relatively weak performance of the PRC and U.S. economies. Although President Ma asserted that Taiwan's economy, on the whole, remained "relatively sound,"⁹⁶ after reviewing the first half-year data the government began reviewing its export strategy.⁹⁷

Meanwhile, projections for GDP growth in 2012 continued to slide, and not only did three institutions forecast growth at or near 2.5 percent for the year,⁹⁸ but one top research center forecast GDP growth for the year at 1.94 percent.⁹⁹

Conclusion

Some six months after the presidential election in which Ma Ying-jeou pulled off a surprisingly easy victory, he was embroiled in a string of controversies that had undermined his public support, led to a certain amount of dissension within KMT ranks, and would inevitably limit the president's flexibility to advance cross-Strait relations. These political problems were exacerbated by economic woes once more inflicted on Taiwan by international developments beyond its control.

At the same time, the DPP had cast a decisive vote for its new leader, but now it faced a likely struggle between the two top personalities within the party in the run-up to the 2014 municipal elections and the 2016 presidential contest. Although there was general consensus within the party that it needed to find a workable path to dialogue and various types of exchanges with the Mainland, in fact there did not seem to be anything approaching a consensus to change the fundamentals of the DPP's cross-Strait policy in a way that could open the door to a new relationship across the Strait.

In the second part of this essay, to appear in *CLM* 39, we will examine the PRC's reaction to all of these developments and its likely approach to cross-Strait relations in the period ahead. We will also look at Taiwan-U.S. relations, including how they fit into the context of U.S.-PRC ties.

Notes

¹ Alan D. Romberg, “After the Taiwan Elections: Planning for the Future,” *China Leadership Monitor*, no. 37.

² Ye Su-p’ing, “Yao Chia-wen: Don’t recognize Su Tseng-chang as part of Taiwan faction”

(姚嘉文: 不認為蘇貞昌是台派), Central News Agency (CNA; domestic), April 18, 2012, <http://www.cna.com.tw/News/aALL/201204070161.aspx>.

³ “Chen Chu calls the other side ‘Mainland China,’” KMT News Network (from Taipei papers), March 30, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11079>.

⁴ Su Fang-ho, “Chen Chu says ‘Mainland China,’ DPP: In future we will still say ‘China’” (陳菊稱中國大陸民進黨: 以後仍會用中國), *United Daily News*, March 30, 2012, <http://udn.com/NEWS/NATIONAL/NAT1/6996715.shtml>.

⁵ “Su Tseng-chang Camp Willing to Discuss How to Refer to the Other Side of the Taiwan Strait,” *United Daily News*, May 29, 2012, translated by Kuomintang News Network, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11339>.

⁶ Chris Wang, “New DPP boss rings in changes,” *Taipei Times*, May 30, 2012.

⁷ The Chinese Affairs Department was formally reestablished on July 25. Saying that the world is changing, and so is China, and that the DPP therefore has to adjust how it approaches the PRC without compromising its existing beliefs and values, Su explained the department would have three functions:

- to formulate China-related policies that are in the interest and meet the expectations of the people of Taiwan;
- to address the opportunities and challenges that arise from the rise of the PRC and the impact its rise has on domestic politics, Taiwan’s elections, and regional security; and
- to act as a platform through which the party will interact with Mainland authorities to gain a better understanding of the PRC instead of relying on biased views. (Justin Su and Scully Hsiao, “DPP sets up Chinese affairs unit,” CNA, July 25, 2012.)

⁸ “Frank Hsieh: If the DPP refuses to conduct exchanges with the Mainland, it will always be an opposition party,” KMT News Network (from Taipei papers), June 6, 2012. Hsieh argued that that the party needed to take into account that its push for Taiwan independence in the early years was not aimed at the CCP but instead against the KMT rulers of Taiwan. Moreover, in light of the rise of Mainland China, the party needed to conduct exchanges across the Strait for four reasons, or else it would always be an opposition party: 1) to prevent Taiwan from being marginalized; 2) to give the DPP an opportunity to participate in cross-Strait negotiations; 3) to express the voice of Taiwan’s lower and middle classes; and 4) to prevent the DPP from placing itself in an unfavorable situation in presidential elections. (A report on these points from an acknowledged pro-Green perspective can be found in the Li Hsin-fang, “Integration of China policy within the DPP, taking into account the essence of views from within the party” (民進黨中國政策整合將納黨內菁英意見), *Liberty Times*, June 6, 2012, <http://www.libertytimes.com.tw/2012/new/jun/6/today-p4.htm>.)

⁹ Lin Ho-ming, “DPP Mainland policy, Hsieh Chang-ting advocates conducting a debate” (民進黨大陸政策謝長廷主張舉辦辯論), *United Daily News*, June 7, 2012, <http://udn.com/NEWS/NATIONAL/NAT1/7143647.shtml>.

¹⁰ Wen Kuei-hsiang, Justin Su, and Lilian Wu, “DPP legislators open to Chinese affairs department within party,” CNA, May 28, 2012. The DPP member cited was Lee Ying-yuan, DPP legislator and former deputy secretary-general of the party.

¹¹ Romberg, “After the Taiwan Elections,” p. 5.

¹² Chu Chen-kai, “Su: Establish a China Affairs Committee, Not preclude visiting the Mainland”

(蘇: 設中國事務委員會 不排除登陸), *China Times*, May 28, 2012, <http://news.chinatimes.com/focus/501011233/112012052800073.html>.

¹³ “Frank Hsieh: DPP to conduct dialogue with [Mainland] China based on the ROC Constitution,” KMT News Network (from Taipei papers), April 16, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11138>.

¹⁴ “Wu Nai-te interviews the candidates for DPP chair on their ideas about China”

(吳乃德親訪候選人: 民進黨主席的中國想像), *Wealth Magazine*, April 26, 2012 (Issue 397),

<http://news.sina.com.tw/magazine/article/9232.html>. A fuller version of the article was disseminated as an attachment to an Open Source Center document, CPP20120427397001.

¹⁵ DPP Party Convention, “Resolution on Taiwan’s Future,” Kaohsiung, May 8, 1999, available at <http://www.taiwandc.org/news-9920.htm>. The resolution reads in part:

Taiwan is a sovereign and independent country. In accordance with international laws, Taiwan’s jurisdiction covers Taiwan, Penghu, Kinmen, Matsu, its affiliated islands and territorial waters. Taiwan, although named the Republic of China under its current constitution, is not subject to the jurisdiction of the People’s Republic of China. Any change in the independent status quo must be decided by all residents of Taiwan by means of plebiscite.

¹⁶ Chris Wang, “DPP’s China relations stable: Wu,” *Taipei Times*, June 28, 2012.

¹⁷ Chu Chen-k’ai, “Su: To establish China Affairs Committee, not rule out visit to Mainland” (蘇：設中國事務委員會 不排除登陸), *China Times*, May 28, 2012, <http://news.chinatimes.com/focus/501011233/112012052800073.html>.

¹⁸ Grace Soong, “DPP’s Su expresses willingness to visit China,” *China Post*, June 29, 2012.

¹⁹ Wang Ming-yi, “Official involved with Taiwan affairs: If Taiwan independence position is not adjusted, party-to-party [exchanges] are not possible” (涉台官員：台獨不調整 黨對黨不可能), *China Times*, June 29, 2012.

²⁰ Chris Wang, “New DPP boss rings in changes,” *Taipei Times*, May 30, 2012. Su’s positions had originally been laid out in even greater detail during the campaign in an interview with *Liberty Times*. (Li Hsin-fang and Lin Hsu-hui, “Su Tseng-chang: Forge DPP Version 3.0, Exclusive interview” [蘇貞昌：打造3.0版民進黨，專訪], *Liberty Times*, April 18, 2012, <http://www.libertytimes.com.tw/2012/new/apr/18/today-p3.htm>.)

²¹ Enru Lin, “New DPP Chairman Su makes 3 promises,” *China Post*, May 30, 2012.

²² Rich Chang, “Su takes over DPP, pledges promotion of social justice,” *Taipei Times*, May 30, 2012.

²³ Chris Wang, “Su Tseng-chang wins DPP chair vote,” *Taipei Times*, May 28, 2012. Turnout was 68.82 percent of registered members, as against a predicted turnout of around 50 percent.

²⁴ “Su Tseng-chang hopes to unify the DPP party as the next chairman,” FTVN, May 28, 2012, <http://englishnews.ftv.com.tw/read.aspx?sno=D8455915E90689F7DE94595FB045A476>.

²⁵ “DPP Chairman Su Tseng-chang most popular politician in Taiwan: Poll,” *Taiwan News Online*, June 14, 2012, http://www.taiwannews.com.tw/etn/news_content.php?id=1946679. While Su finished slightly ahead of Tsai in overall popularity (52 percent vs. 51.5 percent), when only DPP supporters were asked about their feelings toward the two of them, Tsai was picked by 86.5 percent while Su received only 75.3 percent support. (A more detailed report on which this story was based can be found at “[Cover Story] Toward whom do people most have good feelings?” [【封面故事】民眾對誰最有好感?], *The Journalist*, <http://www.new7.com.tw/coverStory/CoverView.aspx?NUM=1319&i=TXT2012061317315894I>, detailing the results of a poll conducted for *The Journalist* by the Taiwan Indicators Survey Research [TISR] in early June.)

²⁶ Chris Wang, “Su Tseng-chang wins DPP chair vote,” *Taipei Times*, May 28, 2012.

²⁷ Lin Hsu-hui, “2016 election? Tsai Ing-wen: Will allow herself to be an option” (選2016? 小英：讓自己成為選項), *Liberty Times*, May 11, 2012, <http://www.libertytimes.com.tw/2012/new/may/11/today-p3.htm>.

²⁸ “Open letter to President Ma” (給馬總統的公開信), Tsai Ing-wen Office Website, May 14, 2012, http://www.iing.tw/2012/05/blog-post_14.html. Wu’s discussion with Hu Jintao is discussed in Romberg, “After the Taiwan Elections,” p. 7. Tsai charged that “one country, two areas” was unconstitutional, a regression from Ma’s position on “one China, respective interpretations,” and that it denied Taiwan’s character as a country. She challenged Ma to answer three questions: 1) Is Taiwan a country? 2) Do the ROC and PRC belong to the same country? And 3) In the future, when the government engages with China, will it follow the CCP-KMT Forum consensus, in accordance with “one country, two areas”?

²⁹ “President convenes press conference to discuss various issues of interest in the news lately,” Office of the President, Republic of China (Taiwan) (OOP), May 19, 2012, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=27468&rmid=2355&sd=2012/05/18&ed=2012/05/19>. The Chinese-language report of this press conference on the OOP website is at <http://www.president.gov.tw/Default.aspx?tabid=131&itemid=27195&rmid=514&sd=2012/05/18&ed=2012/05/19>.

³⁰ Enru Lin, “President’s apology to the people isn’t enough: Tsai,” *China Post*, May 20, 2012.

One television commentator suggested that there was no problem with the policies, but that the cabinet lacked “character” to help Ma get his policies across. (“President Ma promises to review policies following

latest approval rating drop,” Formosa Television News [FTVN], May 18, 2012, <http://englishnews.ftv.com.tw/read.aspx?sno=0001BDDD24BD23899136CCE17FB1ED5F>.)

³¹ “Tsai Ing-wen does not work well with others: Chen Shui-bian,” *WantChina.com*, June 21, 2012, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20120621000008&cid=1101>.

³² “Parties face dilemma over Taipei mayoral candidates,” *China Post*, June 24, 2012.

The rationale for the move was that, if Tsai won the mayoral race, she would be stuck in Taipei and could not compete with Su for the presidential nomination in 2016; if she lost in Taipei, she would be a three-time loser—including her defeat in the New Taipei City mayoral race in 2010 and in the presidential contest in 2012—and would therefore have much diminished stature within the party.

Meanwhile, although Su did not sign a petition to this effect, the DPP Central Executive Committee came out in favor of granting Chen Shui-bian medical parole (“DPP party central supports calls for medical parole of Chen Shui-bian,” KMT News Network [from Taipei papers], June 28, 2012,

<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11490>), but the Justice

Ministry announced that it was monitoring the former president’s physical and mental condition and found that at this time he did not qualify for medical parole (“Justice Ministry: Ex-President Chen not eligible for medical parole,” KMT News Network [from Taipei papers], June 29, 2012,

<http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11501>.)

³³ Huang Zhong-rong, “Run for mayor? Green operative: Tsai Ing-wen is already seriously considering it” (選市長? 綠營: 小英已認真評估), *Liberty Times*, July 6, 2012,

<http://www.libertytimes.com.tw/2012/new/jul/6/today-taipei5.htm>.

³⁴ Known as the “underground DPP party central” by DPP members. (“Tsai’s foundation dubbed ‘Underground DPP Party Central,’” UDN Commentary [translated by KMT News Network, July 16, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11574>].)

³⁵ “Speaker Wang’s nocturnal meeting with Tsai Ing-wen sparks speculation,” KMT News Network (from Taipei papers), July 13, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11563>; “DPP staffer says Su in the dark on meet between Tsai, Wang,” *China Post*, July 14, 2012.

³⁶ Chu Chen-k’ai, Ch’en Wen-hsin, and Ch’iu K’ai-en, “Green power is reshuffled, ‘New Su Alliance’ has absolute preponderance,” (綠權力改組 「新蘇連」絕對優勢), *China Times*, July 16, 2012, <http://news.chinatimes.com/politics/11050202/112012071600114.html>.

³⁷ Huang Yi-yuan and Li Zhao-an, “Tsai Ing-wen continues to keep warm, maintains close competition with Su Tseng-chang,” (蔡英文持續保溫 與蘇貞昌保持競合), *United Daily News*, July 16, 2012, <http://udn.com/NEWS/NATIONAL/NAT3/7227271.shtml>.

³⁸ Romberg, “After the Taiwan Elections,” pp. 14–15.

³⁹ Alex Chiang and S.C. Chang, “President revises electricity rate hike plan amid growing anger,” CNA, May 1, 2012.

⁴⁰ Yang Chia-ning, Kao Chao-fen and Lilian Wu, “Finance minister offers to resign,” CNA, May 29, 2012.

⁴¹ Ann Chen, “China Times Editorial: Challenges ahead for President Ma,” CNA Editorial Extract, May 20, 2012. Addressing the “chaotic situation” surrounding the electricity price hike and the capital gains bill, another generally pro-Ma paper ascribed responsibility to “problems with Ma’s leadership—too focused on the Cabinet process, neglected communication and coordination with the LY, and an inability to persuade the KMT’s LY caucus to support government policies. “This incident not only reflects Ma’s failed [party] leadership but also exposes the confusion and lack of discipline within the KMT. If Ma does not rebuild his leadership credibility soon, he will have a harder time in his second term than he did in his first.” (Y.F. Low, “United Daily News Editorial: Leadership failure an urgent crisis,” CNA Editorial Extracts, May 11, 2012.)

After the failed effort to pass the necessary measures to move beyond zero tolerance for ractopamine in mid-June, some KMT members again groused that Ma was providing inadequate leadership. One anonymous KMT Central Standing Committee member was quoted as saying “President Ma needs to better explain the government’s stance to party members and understand party lawmakers’ pressure from voters. He cannot expect full support from party members by simply asking us to consider the party’s overall interests.” (Mo Yan-chih, “Ma faces major crisis in party leadership,” *Taipei Times*, June 17, 2012.)

⁴² “Ma’s reforms have not been properly communicated to the public,” Editorial, *WantChinaTimes.com*, May 3, 2012, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20120503000003&cid=1701>.

⁴³ Peng Hsien-chun, "Senior KMT officials voice dissatisfaction with Ma, in private," *Taipei Times*, April 23, 2012.

Eventually, as the bill approached a vote in June, some KMT LY members still refused to support the administration's position. One who frequently complains to the pan-Green press said that Taiwan was more of a police state under Ma than it was under Chiang Ching-kuo. (Peng Hsien-chun, "Ma's policies provoke KMT dissension," *Taipei Times*, June 10, 2012.) As a result, the KMT legislative caucus adopted rules that required members follow party positions or face fines or other disciplinary action. ("KMT caucus rules revised: Caucus assembly to vote on major policies first," KMT News Network [from Taipei papers], June 7, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11387>.)

⁴⁴ "KMT members ask Ma Ying-jeou to give up party chairman post," FTVN, May 4, 2012.

⁴⁵ Mo Yan-chih, "KMT dismisses reports that Ma faces pressure to resign as KMT chairman," *Taipei Times*, May 6, 2012.

⁴⁶ Lee Shu-hua and Hanna Liu, "Ma says his KMT chairmanship an advantage," CNA, May 20, 2012.

⁴⁷ Lin Shen-hsu, Kelven Huang and Kay Liu, "Ma listening to public, says spokesman in rebutting Tsai's charges," CNA, May 14, 2012.

⁴⁸ "President convenes press conference to discuss various issues of interest in the news lately"

(總統針對近日相關新聞議題召開記者會), OOP, May 19, 2012,

<http://www.president.gov.tw/Default.aspx?tabid=131&itemid=27195&rmid=514>. An English-language summary version of the press conference is available at <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=27468&rmid=2355&sd=2012/05/19&ed=2012/05/19>.

⁴⁹ Shih Hsiu-chuan, "Legislative meet on US beef issue turns into brawl," *Taipei Times*, March 30, 2012; "DPP legislators occupy podium to prevent a final vote on amendment to Food Safety Act," *China Times* (translated by KMT News Network), June 12, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11414>.

⁵⁰ "Taiwan Legislative Yuan ends session without US beef ban vote," *Taiwan News Online*, June 15, 2012, http://www.taiwannews.com.tw/etn/news_content.php?id=1947661.

⁵¹ Christie Chen, "Taiwan cannot improve competitiveness if excluded from TPP: president," CNA, June 25, 2012.

⁵² Shih Hsiu-chuan and Chris Wang, "Executive order on beef issue proposed," *Taipei Times*, June 15, 2012.

⁵³ Lee I-chia, "Groups propose delay on relaxing ractopamine ban," *Taipei Times*, June 12, 2012.

⁵⁴ Elaine Hou and Alex Jiang, "Taiwan calls Codex discussion on ractopamine 'trade war,'" CNA, July 2, 2012.

⁵⁵ Burt Rutherford, "Codex commission adopts global standards for ractopamine hydrochloride," *BeefMagazine.com*, July 5, 2012, <http://beefmagazine.com/health/codex-commission-adopts-global-standards-ractopamine-hydrochloride>.

⁵⁶ Philip Liu, "Codex formulates maximum residue amount for ractopamine," *Taiwan Economic News*, July 6, 2012. According to this report, when Codex members could not reach a consensus, the usual procedure for adopting resolutions, the U.S. representative successfully proposed putting the issue to a vote instead. That vote passed 69-67. The U.S. proposal for formulating the standard of acceptable ractopamine residue was also passed by majority vote. The Consumer's Foundation in Taiwan denounced the decision as the result of American "political maneuvering," saying the issue of food safety cannot be decided by voting. (Camaron Kao, "Consumers' group attacks CAC over beef decision," *China Post*, July 7, 2012.)

⁵⁷ "CAC approves 10 ppb ractopamine residue," *China Post*, July 6, 2012.

⁵⁸ Elaine Hou, "Codex ractopamine decision not to change Taiwan's U.S. beef policy," CNA, July 5, 2012.

⁵⁹ Even though Members of Congress have urged that restrictions on both beef and pork be eased (Nancy Liu, "Taiwan to separate U.S. beef from pork in ractopamine dispute," CNA, June 14, 2012), Washington had signaled early on that, while it had not dropped its concern to ship pork to Taiwan, its "first concern" was beef. As the AIT spokesperson in Taipei had put it: "I don't even want to discuss [the pork issue], because right now what we are concentrating on is beef." (Shih Hsiu-chuan, "US' first concern is beef, not pork: AIT," *Taipei Times*, April 5, 2012.)

Given the relative consumption patterns of beef and pork in Taiwan, and the number of people involved in hog raising, the pork issue is much more sensitive in Taiwan for both economic and political reasons. But, at least according to some reports, domestic overproduction is what could lead to a slump in prices.

(Chen Wei-ting and Sofia Wu, “Hog farmers urged to avoid overproduction to prevent glut,” CNA, May 28, 2012.)

⁶⁰ Sherry Tang, Kelven Huang, and Elizabeth Hsu, “Government to care for people falling ill after eating U.S. beef,” CNA, June 11, 2012.

⁶¹ Kelven Huang and Elizabeth Hsu, “Codex vote ‘positive message’ for Taiwan: president,” CNA, July 6, 2012.

⁶² Several days before the DPP blocked the final vote in the LY, the Cabinet-level Research Development and Evaluation Commission (RDEC) published a poll that showed almost 55 percent of respondents supported allowing controlled levels of ractopamine in U.S. beef as long as people’s health was protected, while still supporting separate treatment of pork and beef, mandatory labeling, and exclusion of internal organs. (“Public views on conditionally opening up American beef imports and related questions” [民眾對有條件開放美國牛肉進口相關議題的看法], RDEC, June 4–5, 2012, <http://www.rdec.gov.tw/public/Data/26710384371.pdf>.) As one analysis pointed out in the wake of the Codex decision, whereas the DPP stance on American beef had won favor among many in southern Taiwan, where agriculture is centered and the DPP has a strong foothold, it was alienating independent voters. Hence, the analysis concluded, the action in Rome “extricated” the DPP from what was an increasingly problematic stance. (Adam Tyrsett Kuo, “CAC’s ruling extricates DPP,” *China Post*, July 7, 2012.)

⁶³ “Response to the UN Codex Alimentarius Commission decision” (對聯合國食品法典委員會決議之回應), DPP, July 5, 2012, http://www.dpp.org.tw/news_content.php?sn=6171.

⁶⁴ “DPP reverses stance on controversial US beef issue,” *WantChinaTimes.com*, July 7, 2012, <http://www.wantchinatimes.com/news-subclass-cnt.aspx?id=20120707000082&cid=1101>.

⁶⁵ “DPP OKs ban lift, but on six conditions,” *China Post*, July 7, 2012. The conditions included:

- The central administration should adopt higher domestic residue standards for meat products, using the EU model as a reference.
- The government needs to establish an independent system for domestic “health risk assessment” in cooperation with the EU.
- The LY should write President Ma’s “16-character promise” into law (regarding setting standards for maximum ractopamine residue, clear labeling, prohibiting offal imports and treating pork and beef separately).
- Mandatory labeling of meat products should be strictly enforced, indicating not just the product’s origin but also its ractopamine content.
- The Ma administration should assess the possible impact that lifting the ban could have on Taiwan’s animal husbandry sector and then build in support mechanisms.
- President Ma must specify a clear timetable for economic goals such as resuming talks with the United States under TIFA, securing membership in the TPP, and signing free trade agreements with others.

The KMT and the Ma administration once again reiterated pledges to follow Ma’s “16-character promise,” but they argued that putting much of it into law, for example the different handling of pork and beef, could violate Taiwan’s WTO obligations. (Shih Hsiu-chuan and Mo Yan-chih, “Premier vows ‘reassuring’ beef policy,” CNA, July 18, 2012.)

⁶⁶ Sophia Yeh and Jamie Wang, “DPP to hold party congress,” CNA, July 9, 2012.

⁶⁷ Chen Wei-ting, Chen Ching-fang, and Kendra Lin, “Ban on beef containing ractopamine lifted, but not pork,” CNA, July 25, 2012.

⁶⁸ Kuo Chu-chen, Huang Kuo-fang, Chen Ching-fang, Yang Shu-min, and Elizabeth Hsu, “Pig farmers worried about market amid wider opening to beef,” CNA, July 25, 2012.

⁶⁹ Chen Wei-ting, “Lifting the ban on beef with ractopamine will be in mid-September at the earliest,” (萊克多巴胺牛 最快9月中解禁), CNA (domestic), July 25, 2012, <http://www.cna.com.tw/News/aIPL/201207250375.aspx>.

⁷⁰ Huang Min-hsi, Emmanuelle Tzeng, and Maia Huang, “Resumption of trade talks with U.S. next step: president,” CNA, July 25, 2012.

⁷¹ “Poll on Ma’s satisfaction rating following the Lin Yi-shih affair” (林益世事件後馬總統滿意度民調), TVBS, July 3, 2012, http://www1.tvbs.com.tw/FILE_DB/PCH/201207/39g77tofel.pdf. By early July even KMT supporters, who had still backed Ma by 45 percent vs. 33 percent in mid-May, had turned negative, 46 percent vs. 39 percent. DPP supporters, expectedly, ranged around 90 percent dissatisfied, “neutral” respondents responded negatively in the range of 70 percent, and “others”—including TSU, PFP, and New

Party supporters—went more negative between May and July from 74 percent to 89 percent. According to this same poll, trust in Ma also dropped sharply, down from 44 percent in mid-March to 33 percent in early July. Correspondingly, distrust rose from 42 percent to 58 percent across this same period.

Moreover, although there had been a steady decline in feelings that Ma's policies were leading Taiwan in the right direction over the past couple of years, this tendency intensified after the president's remarks about a peace accord in October 2011 and especially after his statements in March 2012 about resolving the beef issue (down to 30 percent by early July vs. 46 percent who said they were leading Taiwan in the wrong direction).

While there were some differences regarding specifics, other polls showed the same sharply negative trends. ("Public opinion poll results, Taiwan Mood Barometer Survey, high-level corruption case" [「台灣民心動態調查、高官貪瀆弊案」民調新聞稿], Taiwan Indicators Survey Research [TISR], July 9, 2012, <http://www.tisr.com.tw/?p=933>.)

Unsurprisingly, DPP polls painted an even bleaker picture for Ma from even earlier on (Chris Wang, "Ma's approval rating at 18.7%: survey," *Taipei Times*, April 16, 2012). According to the Taiwan Brain Trust, a do-over of the January election would give Tsai a decisive victory, with 85–90 percent of respondents unhappy with recent fuel, electricity, and commodity price increases and over half opposing the notion of "one country, two areas" and fully two-thirds saying they disagreed with the notion that "both sides of the Taiwan Strait belong to one China."

Perhaps equally unsurprising, a month later, as most polls showed Ma's support continuing its steep descent, government polls painted a much rosier picture, with well over 60 percent and as much as almost 80 percent of respondents expressing support for various aspects of Ma's cross-Strait policy. ("MAC public opinion poll: A majority of people support the government's policy, within the framework of the ROC Constitution, of preserving the status quo in the Taiwan Strait, and also eagerly look forward to the positive development of cross-Strait relations" [陸委會民調：多數民眾支持政府在中華民國憲法架構下，維持臺海現狀，並引領兩岸關係良性發展], Mainland Affairs Council, May 17, 2012, <http://www.mac.gov.tw/ct.asp?xItem=101979&ctNode=6409&mp=1>.)

⁷² "Upholding Ideals, Working Together for Reform and Creating Greater Well-being for Taiwan: President Ma's inaugural address" ("Ma's second inaugural address"), OOP, May 20, 2012, <http://english.president.gov.tw/Default.aspx?tabid=1124&itemid=27202&view=home>. The Chinese-language text is at <http://www.president.gov.tw/Default.aspx?tabid=1103&itemid=27201&rmid=2780>.

⁷³ "President Ma meets congratulatory delegation led by US House Foreign Affairs Committee Chairwoman Ileana Ros-Lehtinen," OOP, May 21, 2012, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=27433&rmid=2355>. The Chinese-language account of that meeting is available at <http://www.president.gov.tw/Default.aspx?tabid=131&itemid=27215&rmid=514>.

⁷⁴ Romberg, "After the Taiwan Elections," p. 7.

⁷⁵ "Ma's second inaugural address" (see endnote 72).

Predictably, the opposition saw in this the seeds of a unification plan. (Li Hsin-fang and Lin Hsu-hui, "Ma puts forward one country, two areas, Opposition parties: Unification plan evident" [馬提一國兩區在野黨：統一企圖明顯], *Liberty Times*, May 21, 2012, <http://libertytimes.com.tw/2012/new/may/21/today-fo1.htm>.)

Readers may recall that, in the immediate aftermath of Wu Poh-hsiung's statement in Beijing, the DPP had issued a formal statement harshly criticizing the notion of "one country, two areas" as changing the current status of Taiwan's national territory and sovereignty and "gradually moving toward unification with China" (逐漸走向與中國統一). ("Press release of the 56th session of the 14th DPP Central Standing Committee" [民進黨第十四屆第五十六次中常會新聞稿], DPP, March 28, 2012, http://www.dpp.org.tw/news_content.php?sn=6082.)

⁷⁶ "Ma: National security cannot depend on Beijing's goodwill," KMT News Network (from Taipei papers), April 19, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11160>.

⁷⁷ "Ma's second inaugural address" (see endnote 72).

⁷⁸ "Looking ahead to the next four years, I shall strive jointly with the entire citizenry to realize the vision of a Golden Decade for our nation. Our objective is to build a nation that enjoys the benefits of peace, justice and well-being. The government has identified five pillars of national growth that it aims to achieve. First, it will enhance the drivers of economic growth. Second, it will create employment and realize social

justice. Third, it will develop an environment characterized by low carbon emissions and high reliance on green energy. Fourth, it will build up culture as a source of national strength. And fifth, it will take active steps to cultivate, recruit and retain talent. Accomplishing these tasks will comprehensively bolster Taiwan's global competitiveness, so that during these four years, Taiwan can achieve a fundamental transformation and create even greater well-being."

⁷⁹ "DPP Chairman Su Tseng-chang most popular politician in Taiwan: Poll," *Taiwan News Online*, June 14, 2012, http://www.taiwannews.com.tw/etn/news_content.php?id=1946679.

⁸⁰ Chris Wang and Mo Yan-chih, "DPP chairman rebuffs Ma invite as 'shifting focus,'" *Taipei Times*, June 11, 2012.

⁸¹ Kelven Huang, Justin Su, Wen Kuei-hsiang and Lilian Wu, "President wants administrative team to learn lesson from Lin's case," *CNA*, July 3, 2012.

⁸² Chris Wang, "Lin Imbroglia: DPP makes five-point demand of Ma," *Taipei Times*, July 5, 2012; Mo Yan-chih, "Ma should resign as KMT chairman: Shih Ming-te," *Taipei Times*, July 7, 2012. It will be recalled that Shih was a DPP chairman and former anti-corruption campaign director who broke ties with the party and launched a campaign in 2006 against President Chen Shui-bian over a string of corruption scandals.

⁸³ Mo Yan-chih, "Ma refuses to consider letting go of KMT helm," *Taipei Times*, July 5, 2012.

⁸⁴ KMT Culture and Communications Committee, "Chairman Ma: Turning crisis into opportunity and sparing no effort to safeguard the value of integrity," *KMT News Network*, July 5, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=111&anum=11528>. Ma also said he would ask the executive branch and other related government agencies to spare no effort in conducting a thorough investigation of all "malignant tumors" that could lead to political corruption, and that the KMT must spare no effort to safeguard the value of integrity, however hard the current scandal may have shown that to be.

⁸⁵ Nancy Liu, "Ma highlights anti-corruption measures in wake of bribery scandal," *CNA*, July 7, 2012.

⁸⁶ "President Ma: Lin's corruption scandal disgraces administration," *KMT News Network* (from *Taipei papers*), July 9, 2012, <http://www.kmt.org.tw/english/page.aspx?type=article&mnum=112&anum=11542>.

⁸⁷ The Ministry of Economic Affairs released a survey by the Chung-Hua Institute for Economic Research projecting that such an FTA, which would involve countries accounting for 20 percent of the world's GDP, could erode Taiwan's GDP by up to nearly 1.5 percent. (Jeffrey Wu, "Taiwan working to minimize impact of regional trade grouping: official," *CNA*, May 24, 2012.)

⁸⁸ Philip Liu, "Taiwan government aims to accelerate ECFA talks," *Taiwan Economic News*, May 16, 2012, http://cens.com/cens/html/en/news/news_inner_40197.html.

⁸⁹ Lee Hsin-Yin, "ECFA negotiations seen as the key to raising Taiwan's economic strength," *CNA*, May 16, 2012.

⁹⁰ Philip Liu, "President Ma calls for speeding up follow-up talks for ECFA," *Taiwan Economic News*, June 26, 2012, http://cens.com/cens/html/en/news/news_inner_40545.html.

⁹¹ "Ma's second inaugural address" (see endnote 72).

⁹² Philip Liu, "Economics ministry launches export promotion initiative," *Taiwan Economic News*, May 22, 2012.

⁹³ Huang Chiao-wen and Scully Hsiao, "Economics ministry highlights 10 sectors in need of upgrading," *CNA*, June 29, 2012. Among the sectors singled out in manufacturing were apparel, LED lighting, bioplastics, smart appliances, and sanitary ware. Logistics and food industries were also identified in the services sector as in need of aid.

⁹⁴ Lee Seok Hwai, "Taiwan-China trade ties feeling the chill," *Straits Times* (carried by *AsiaNewsNetwork*), June 29, 2012, <http://www.asianewsnet.net/home/news.php?id=32653&sec=1>. Contrasted with 2011, when Taiwan exports to the Mainland in the first five months grew 11.6 percent year-on-year, during the comparable period in 2012 they fell 10.2 percent. Taiwan's imports across the Strait in that same period in 2011 grew 37.16 percent, whereas in 2012 they fell 5.8 percent.

The cross-Strait investment picture was also bleak. In the first four months of 2012, PRC approvals of Taiwan investments were down 18.8 percent from the same period a year earlier, with approvals in April alone down by 43.6 percent from March. (Nell Shen, "Taiwan-China trade volume down 8.2% in first four months," *CNA*, May 28, 2012.)

On the other hand, Taiwan's overall export of agricultural products to the Mainland increased by 15 percent in the first five months of 2012 year-on-year, and, worthy of note, those agricultural exports that benefited from the ECFA early-harvest list increased by 50 percent. (Judy Li, "Taiwan's ECFA prioritized

agricultural products see 50% growth in export to China,” *Taiwan Economic News*, June 14, 2012, http://cens.com/cens/html/en/news/news_inner_40455.html.)

⁹⁵ Jenny W. Hsu and Fanny Liu, “UPDATE: Taiwan’s June exports fall; likely to remain weak in July,” *Wall Street Journal*, July 9, 2012, <http://professional.wsj.com/article/BT-CO-20120709-702780.html?mg=reno-wsj>.

⁹⁶ Adam Tyrsett Kuo, “Ma says economy is relatively sound but challenges remain,” *China Post*, July 19, 2012.

⁹⁷ James Lee, “Economics ministry reviewing export strategies,” CNA, July 17, 2012.

⁹⁸ “Taiwan 2012 economic growth below 3%: Polaris,” *Taiwan News Online*, June 28, 2012, http://www.taiwannews.com.tw/etn/news_content.php?id=1958253. Polaris predicted 2.5 percent growth. Cathay Financial Holdings produced an even gloomier forecast, predicting growth of only 2.45 percent. Just two weeks before, the Taiwan Research Institute had projected a rate of 2.52 percent. (James Lee, “Taiwan economic growth forecast to be under 3%,” CNA, June 13, 2012.)

⁹⁹ Philip Liu, “Taiwan’s economic growth will reach 1.94% this year: Academia Sinica,” *Taiwan Economic News*, July 19, 2012, http://www.cens.com/cens/html/en/news/news_inner_40773.html. Observing that Taiwan’s economy had almost reached zero growth in the first half of the year, the director of the Institute of Economics at the Academia Sinica said that just to reach 2 percent for the year the economy would need to grow over 4 percent in the second half, which was too optimistic. To reach the government’s 3 percent target was “almost a mission impossible.”