



AVİM

Türkmeneli İşbirliği ve Kültür Vakfı
AVRASYA İNCELEMELERİ MERKEZİ
CENTER FOR EURASIAN STUDIES

THE 'SOCIOLOGICAL TURN' OF TAIWAN-CHINA RELATIONS



December 30th 2014, Ankara



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Foreword

Currently, the global significance of the Asia-Pacific region is on the rise. It is expected to come to an even more powerful position politically and economically as the global economic and political gravity has started to gradually shift. Consequently, in line with the economic influence of the region, it is common sense for Turkey, a truly Eurasian country, to include Asian and Pacific countries among the priority targets to achieve momentum and depth in its relations.

Taiwan (Republic of China) is one of the prominent countries of the Asia-Pacific region. Starting from the second half of the 20th century, Taiwan has made big strides in economic progress and industrialization. Today, Taiwan is one of the forerunning economies of the world. Along with Singapore, Hong Kong and South Korea, it is one of the Four Asian Tigers and a member of the World Trade Organization and Asia-Pacific Economic Cooperation. It is one of the leading countries in the information technologies field.

Taiwan also plays a key role in the regional politics. Developments among the Taiwan-USA-People's Republic of China triangle have major influence on the dynamics and future of the region.

Following the Chinese Civil War, beginning from 1949, relations between People's Republic of China (PRC) and Taiwan has become one of the issues on top of the world's agenda. Since then, the debates within the context of the volatile, troubled and tense PRC-Taiwan relations has been centered upon the political and legal status of Taiwan. While in the beginning there were debates on who represented the legitimate government of China, now the debates are focused on the independence of Taiwan or unification with mainland China. There have been major tensions due to these debates in the past. Today, PRC opposes the potential independence of Taiwan and claims that Taiwan is a Chinese territory.

However since 2008, relations between ÇHC and Taiwan gained momentum. The foundations for this was laid with the 1992 Consensus and the three principles of "no unification, no independence, no use of force" policy. Relations developed especially in commercial and economic spheres. Taiwanese companies have made significant investments in China. While the independence-unification debates still continue, recently improving Taiwan-PRC relations on these three principles is important for the stability of the region and the world.

The US, on the other hand, maintains close ties with Taiwan. The two have significant military and economic relations. The US has been the closest ally of Taiwan during the past tense relations between Taiwan and PRC, with ongoing major influence in the region.

Until the 1970's, Turkey recognized the Republic of China in Taiwan as the only legitimate representative of China. However since 1971, Turkey, as many others, recognized PRC as the sole legitimate representative of China. Despite breaking off diplomatic relations with Taiwan, economic and cultural relations have been sustained through economic and cultural representative offices in Ankara and Taipei.

Within the context of Asia-Pacific's growing potential in the global arena, economic and cultural relations between Turkey and Taiwan have the tendency to further develop. Increasing economic and trade relations between Turkey and Taiwan has the potential to provide new opportunities for both countries. In this regard Taiwan could be important in terms of Taiwanese investments in Turkey, new export opportunities for Turkey and job opportunities for Turkish companies. Taking into account the regional dynamics and developed relations with PRC, nurturing relations with Taiwan could open new horizons for both countries. Within the potential of further developing cultural relations between the two countries, universities in Taiwan could provide convenient and encouraging means for Turkish students who want to study Chinese.

This study is based on the presentations of Prof. Jenn Hwan Wang, deputy rector of the National Chengchi University, who paid a short working visit to AVİM for research and presentations in December 2014. We trust that this will serve to be better acquainted with subjects such as the internal politics of Taiwan, its economic situation, recent sociopolitical developments, PRC-Taiwan relations and its future.

On behalf of AVİM, I would like to express my deep appreciation and thanks for the valuable contributions of Prof. Wang and the Economic and Cultural Representation of Taiwan in Ankara.

Alev KILIÇ
Director of AVİM



Jenn Hwan Wang, Chair Professor

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Taiwan, Republic of China

Republic of China (Taiwan)

Country Profile¹

Capital: Taipei

Establishment: 1949

Population: 23,373,517 (December 2013 est.)

Area: 36,193 km²

GDP (PPP): \$977.088 billion (2014 est.)

GDP (Nominal): \$517.019 billion (2014 est.)

Per capita income: \$22,002

Government type: Multiparty democracy

Ruling Party: Kuomintang (KMT)

President: Ma Ying-jeou

Vice-President: Wu Den-yih

Premier: Mao Chi-kuo

International organization participation: ADB, APEC, BCIE, ICC (national committees), IOC, ITUC (NGOs), WTO

Currency: New Taiwan Dollar

Official Language: Mandarin Chinese

1 <http://en.wikipedia.org/wiki/Taiwan>



Recent sociopolitical developments in Taiwan

- The Recent Sunflower Students Movement
- The Defeat of the Ruling KMT party in November's local elections
- The rise of the youth
- The targets have been Taiwan's economic integration with China

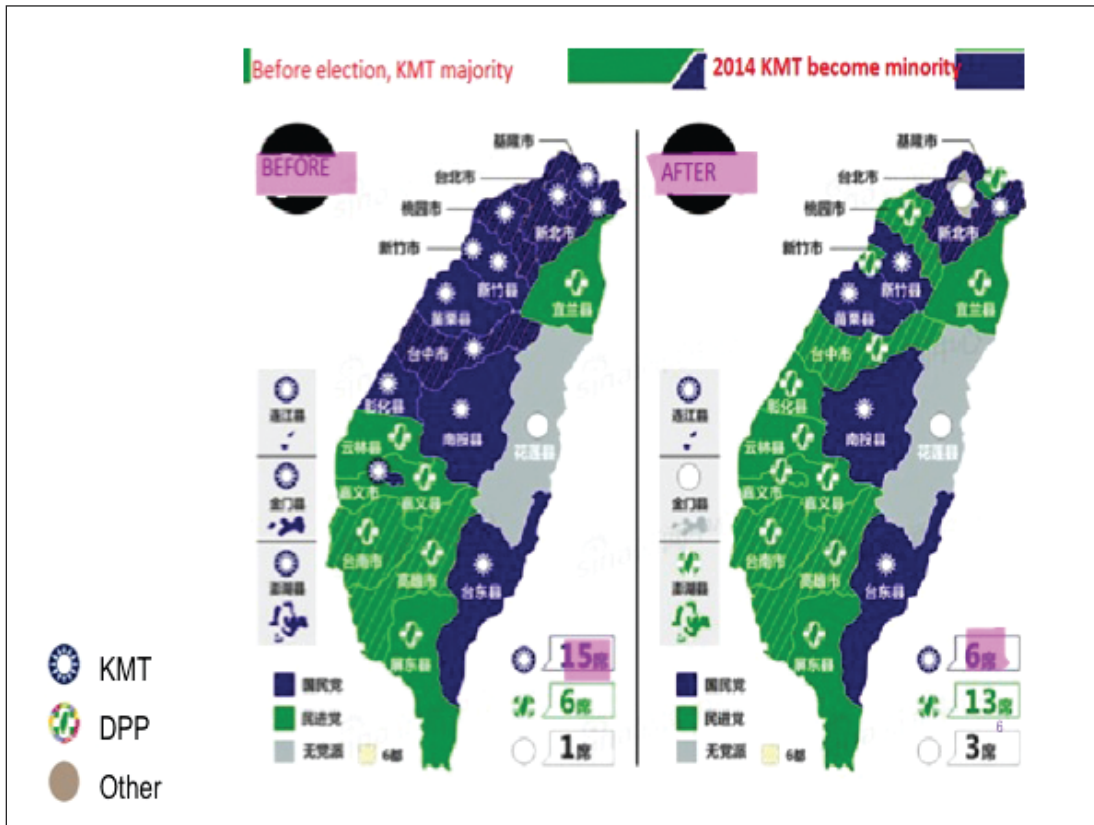


The Sunflower students movement (March 18 to April 10, 2014)

- The largest student protest in two decades
- The activists protested the passing of the Cross-Strait Service Trade Agreement (CSSTA) by the ruling party Kuomintang (KMT) at the legislature without clause-by-clause review
- The targets were:
 - Trade pact with the People's Republic of China (PRC) would hurt Taiwan's economy and leave it vulnerable to political pressure from Beijing
 - Protestors were also angry about the soaring real estate prices in Taipei and downgrading of living standards

The Election failure of the ruling party

- November 29 election for local representatives
- The fatal defeat of the KMT in recent years
- Key city/county mayors reduced from 15 to 6 in the total 22 seats



The changing landscape of Taiwan' political arena

- The side effects of the Sunflower Students Movement
- The anger of the youth toward the current economic and political developments (toward China Rising!)
- The opposition party DPP benefited from the youth's anger toward the ruling party
- This will have great impacts on 2016 presidential election and future development of Taiwan-China relations.

Global neo-liberalism and its discontent

- Taiwan's recent development has to be regarded in the context of global neo-liberalism
- The neo-liberalist turn in the early 1980s
- In the late 1970s and early 1980s, Ronald Reagan in the US, Margaret Thatcher in the UK, and Deng Xiao Ping in China
- Market and free competition become the organizing principle
- World Trade Organization (WTO), International Monetary Fund (IMF), World Bank (WB), to propagate the primacy of market
- Everything can be either for sale or pillaged for profit
- Political leaders everywhere are subjected to strong pressures to adopt similar market-led institutions

Social effects of global neo-liberalism

- The dominance of the financial sector, and the dominance of shareholders (not stakeholders) value
- short-term profits vs. long term investment and internal collaboration/harmony
- De-industrialization of the north
- Job loss, welfare cuts, wage stagnation
- Particularly hard to young people everywhere

The youth's rebellion

- In the advanced countries, young people have to bear the high costs of living ranging from high education fees, raising children;
- Have to support the continuous social benefits of retired citizens
- Due to the expansion of global higher education, excessive numbers of higher education graduates relative to the number of graduate jobs in all world regions.
- Except for those born in rich family, the youth will not to live like their parents
- The anti-globalization movement, anti-Wall Street movement, represented 'intensified inter- and intra-generational conflict" in the U.S., and Western Europe

Taiwan in the context of global neo-liberalism

A Brief history of Taiwan-China relations

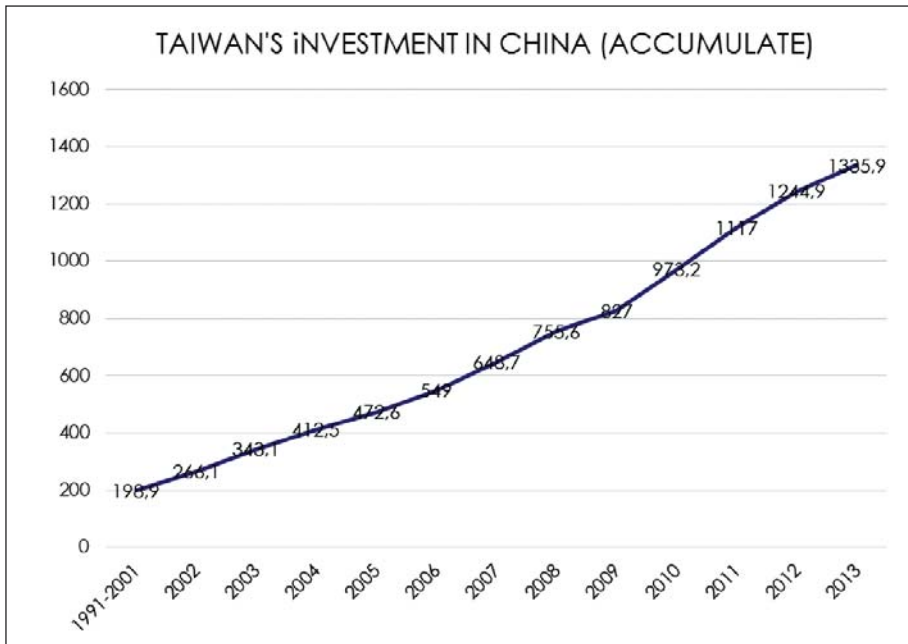
- The Ruling KMT was defeated by the CCP in 1949, moved to Taiwan; the Civil War has never claimed ended, China still regards Taiwan (Republic of China) as a renegade province, will eventually unify it.
- KMT' authoritarian rule in Taiwan, but created economic miracle; began to experience democratization in the 1980s and 1990s
- The tension between Taiwan and China has been eased in the 1990s;
- Taiwan's economy need new production sites and China needed capital at its initial stage of economic reform.

Taiwan's economic liberalization in the 1990s

- Taiwan's export-led economy met new challenges from Southeast Asian countries and China in the 1980s
- U.S. pressure against Taiwan to take neo-liberal economic policies – open the market, particularly the service and agricultural sectors; Taiwan entered the WTO in 2002
- Taiwan's economy upgraded domestically and outward investments simultaneously
- More and more Taiwanese firms moved to China

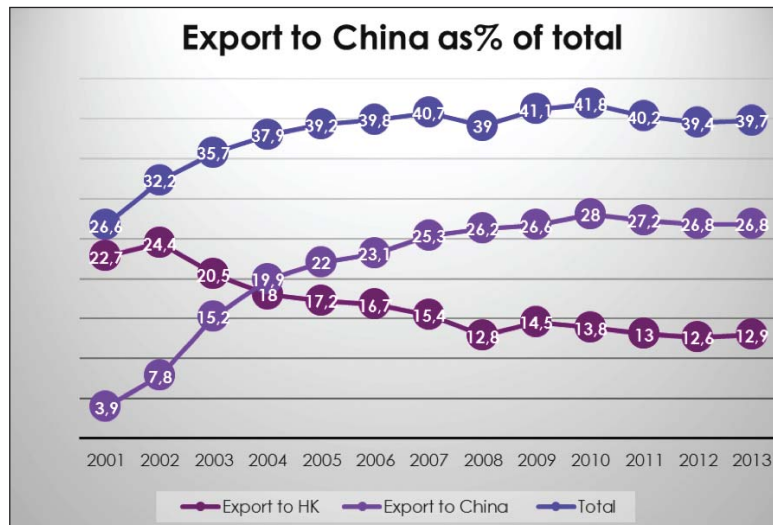
Taiwan's investments in China

- Taiwanese Taiwan's outward investments in China and the accumulative figure reached about USD 133 billion in the past two decades

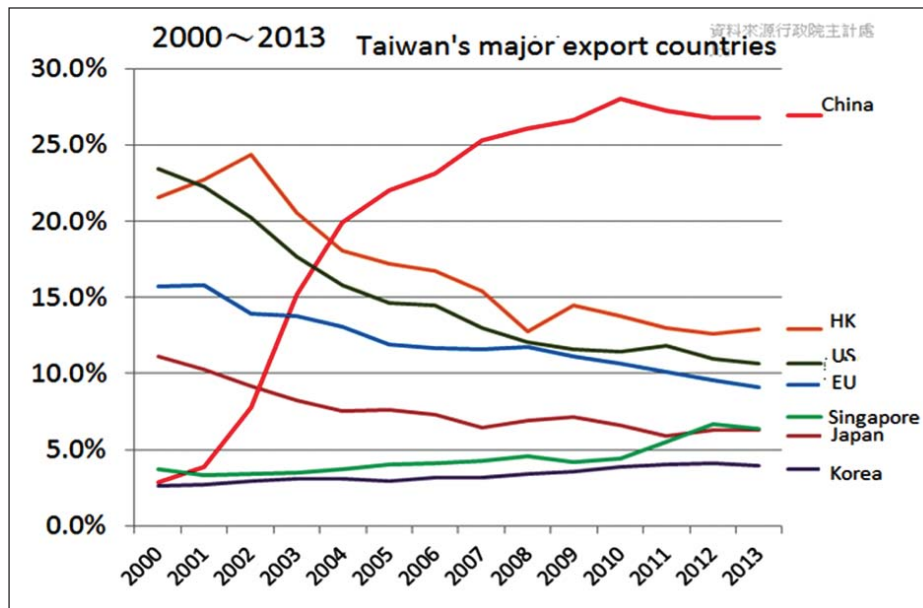


Export ratio to China

- The major export market of Taiwan's commodity has gradually shifted from the U.S. to China (via Hong Kong), in 2003.
- Trade dependency rate was about 40% for more than a decade

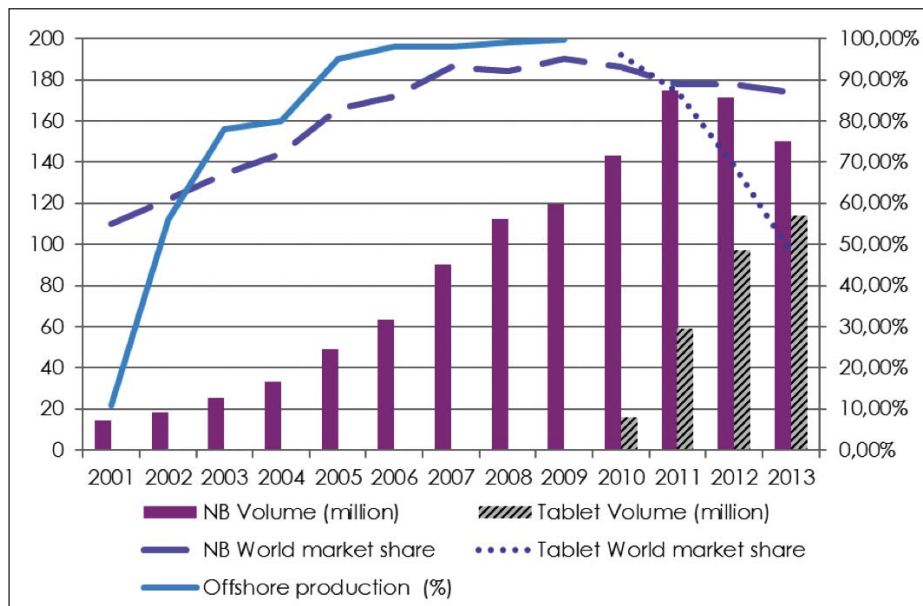


Taiwan's major export countries



A sector example: electronics

- Taiwan supplies 80% to 90% of world notebook PC
- 99% in the early of notebook PC manufactured abroad. In this, 90% produced in China until 2010
- Due to the rising cost of China, many firms moved to other places in the world





The political alliance between ruling party and business class

Three periods: Political concerns in decision making

- In the first period, in the 1990s President Lee, Deng Hui even use 'Southward Policy' to encourage Taiwanese businessmen to invest in Southeast Asia rather than to China
- In the second period ranged from 2000 till 2008, President Chen, Shui-bian promoted Taiwan independence, treated Taiwan's investments in China much like traitors
- From 2008, the KMT took over the state power, the relationship between Taiwan and China has been improved substantially.

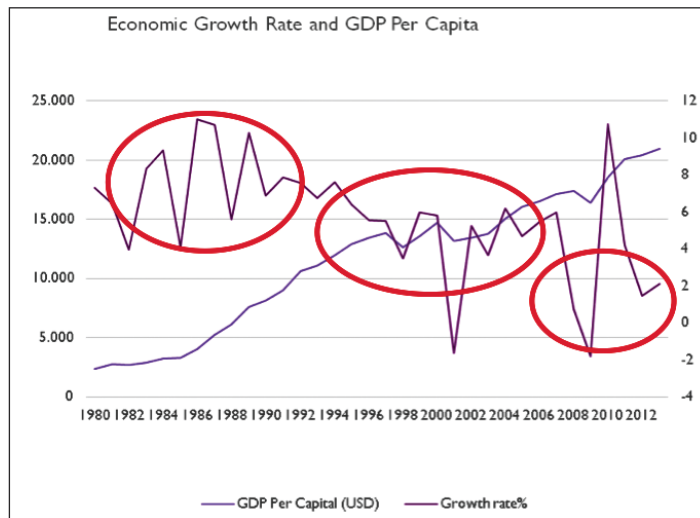
Political alliance on four dimensions

- Official and non-official visits to China, with business leaders
- Build official economic cooperation mechanisms to help Taiwanese business sectors to penetrate into the Chinese market
- All the major business associations are the promoters of free trade agreement and supporters of the ruling KMT's mainland policy
- The Taiwanese Business Associations (TBA) in every big city and province in China promote their members to fly back to Taiwan in every election to vote

Social costs of economic integration

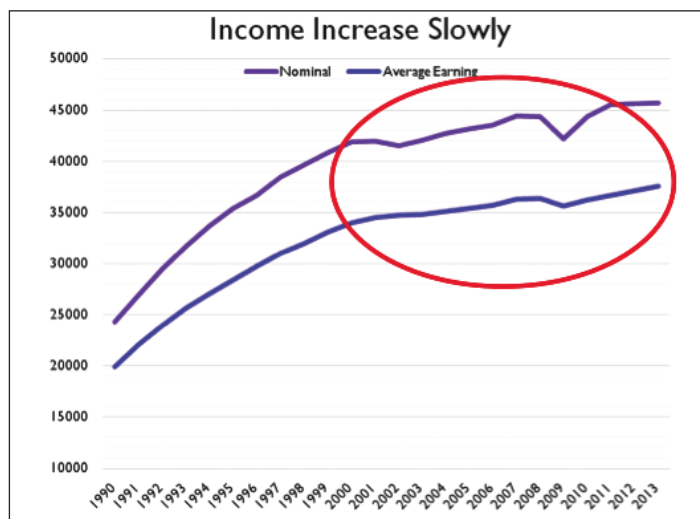
Taiwan's economy slowing down

- Taiwan's economy continues to grow, its pace has been slowing down from normally 8% in the 1980s to 3% in the 2000s;
- The growth of GDP per capita also has increased very slowly, stayed around USD 20000 for many years



Slowing down of salary income

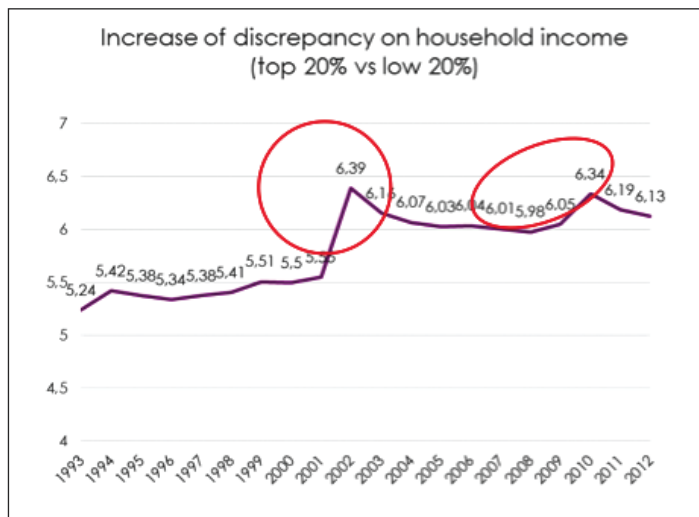
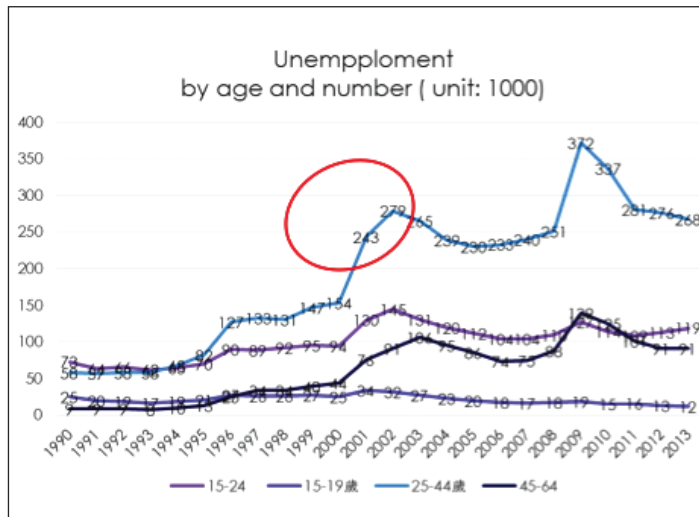
- Slowing down of salary increases started around the year of 2000
- Due to migration of job and slow increase of technological upgrading



Increase of unemployment rate-youth group 25-44

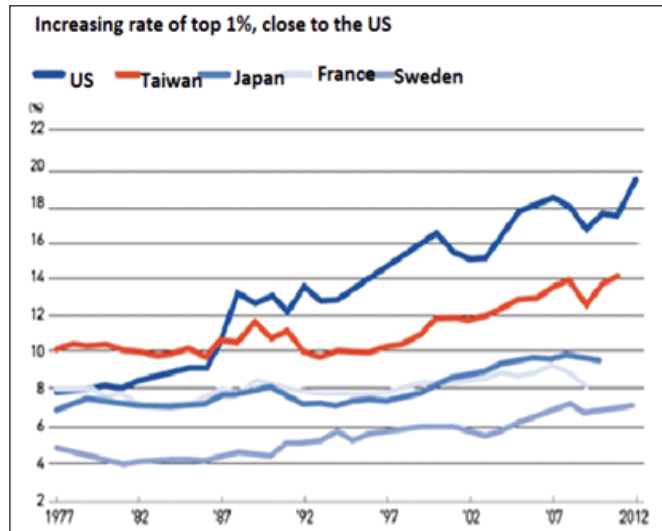


Increase of discrepancy on household income (top 20% vs low 20%)



Top 1% population increases rapidly in wealth

- The wealth of Taiwan's top 1% of population increases rapidly, close to the pattern of the US



The increase of real estate prices and others

- Promoting Taiwanese businesses to return, but in the end, they put their monies in real estate and stock markets than on the real economy.
- According to Global Property Guide (2013, 9), Taiwan's soaring of real estate price (14.98%) was only secondary to Dubai (21.37%), even ahead of Hong Kong (7.76%), or Shanghai (7.1%) during the Q3 2012 to Q3 of 2013 period.

Country	HOUSE PRICE CHANGE (INFLATION-ADJUSTED)	
	year on year(%)	q-o-q(%)
UAE - Dubai	14.43	21.37
Taiwan	5.45	14.98
Estonia - Tallinn	-0.86	12.46
Philippines - Makati CBD	4.62	11.09
Germany	1.21	9.61
US (Case-Shiller)	1.96	9.43
Hong Kong	13.03	7.76
Japan	-2.62	7.63
China - Shanghai	-2.21	7.10
Brazil - Sao Paulo	11.98	6.98
US (FHFA)	2.29	6.72
Denmark	3.25	6.53
New Zealand	5.20	6.40
Israel	3.21	5.62
Australia	-2.03	5.34
Poland - Warsaw	-7.63	5.13
Turkey	6.66	4.65
Indonesia	-0.27	4.54
Thailand	0.09	3.75
Switzerland	3.34	3.46
Ireland	-11.00	3.45
Sweden	-1.95	3.05
Latvia - Riga	-0.14	2.44
Singapore	-2.88	2.10
Iceland	2.23	2.03
Canada	2.36	1.61
UK (Nationwide)	-3.99	1.54
Lithuania - Vilnius	-4.79	0.80
Norway	6.54	-0.11
Bulgaria	-6.84	-0.21
Finland	-1.02	-0.24
Portugal	-9.41	-1.55
South Africa	-1.81	-2.01
Slovak Republic	-4.14	-2.87
India - Delhi	5.31	-3.58
Netherlands	-11.36	-4.87
Croatia - Zagreb	-8.81	-6.56
Romania	-12.76	-7.15
Russia	-3.94	-8.18
Greece	-13.58	-8.85
Spain	-14.54	-9.46

▲ = more than 1 percentage point increase in house price change
 ▲ (small) = less than 1 percentage point increase in house price change
 ▼ = more than 1 percentage point decrease in house price change
 ▼ (small) = less than 1 percentage point decrease in house price change compared to same period of last year

© Global Property Guide

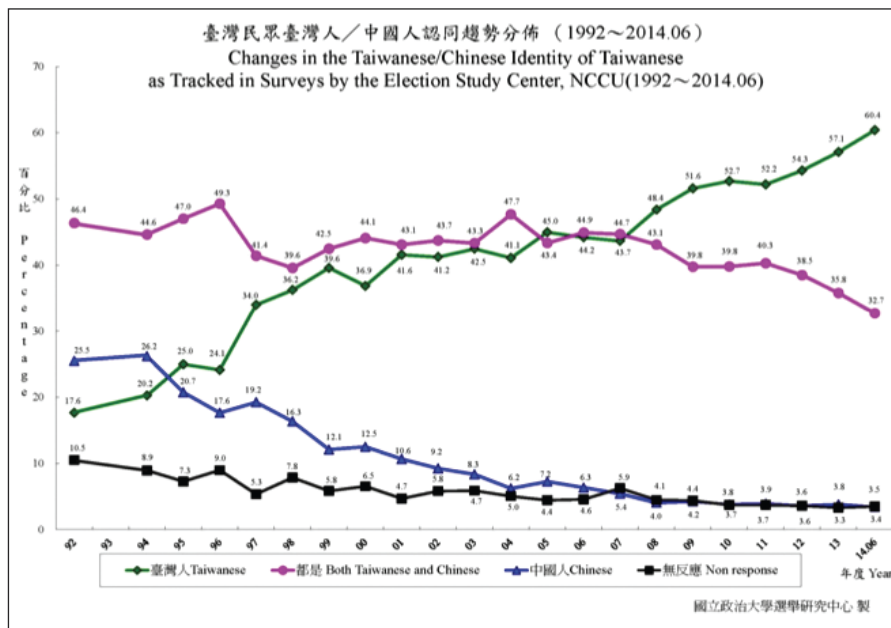
Neo-liberal challenges in particular moment

- It occurs in the age of China rising
- Taiwanese youth has gained much stronger Taiwanese consciousness in and after the democratization process
- See the social costs as threats of China
- Distrust to the state and especially toward China

The Youth's attitude toward China Rising

The increase of Taiwanese consciousness

- Over sixty percent (60.4%) of respondents identify themselves as Taiwanese; increase from 7.6% in 1992.
- Whereas the identity of both Taiwanese and Chinese is currently at 32.7%, declined from 46.4% during the same period
- The Chinese identity continues to decline from 25.5% to a very low level at 3.5%

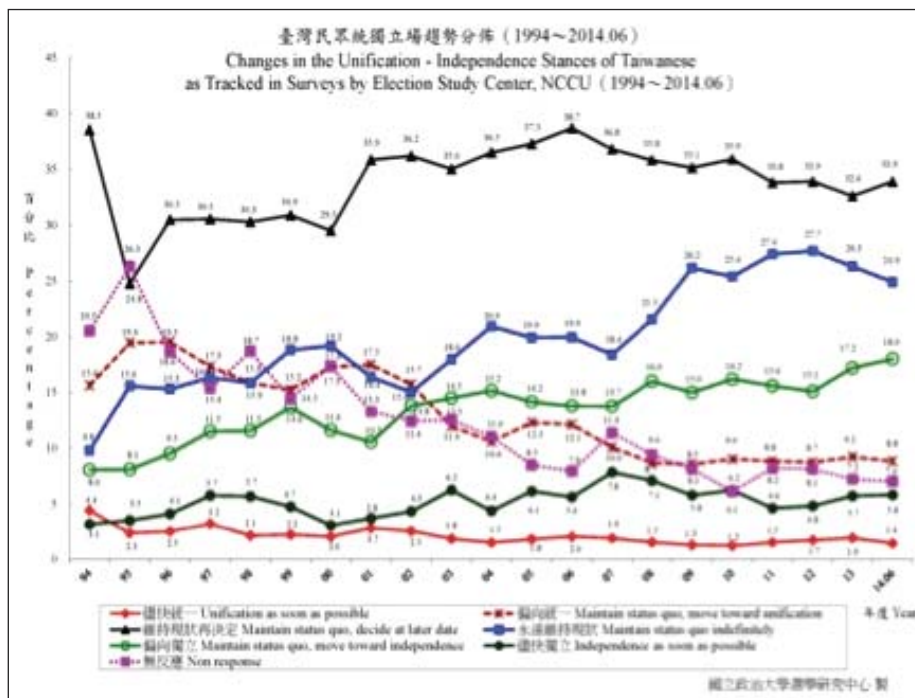


The youth

- There is a discrepancy on identity in different age groups.
- There was as high as 72% of those young respondents who were under 30 years old identify themselves as Taiwanese, 27% identify both, only 1% identify themselves as Chinese;
- The Taiwanese identity was the highest in all age groups.

Unification or independence?

- Maintain status quo for now and decide later 33.9%
- Maintain status quo forever 24.9%
- Maintain status quo with hope for eventual independence 18%
- Maintain status quo with hope for eventual unification 8%
- Immediately declare independence 6%
- Immediately unify 2%



The youth are toward independence

- By asking question, if Taiwan claims independence will not create war across Taiwan Strait, there was 74% of respondents under 30 supporting independence; other age groups were around 60% of support.
- If ask, claiming independence will generate war, then the supporting figure reduced to 47.3%, it was still higher than other age groups that were around 30%.

Historical conditions

- Why did these young Taiwanese people tend to identify themselves as Taiwanese and support political independence?
 - First of all, the youth, who are under 30, have grown up in the atmosphere of political democratization in the 1980s and 1990s in which the construction of Taiwanese identity has been a very strong tendency in all social, political and cultural spheres.
 - Secondly, for those who have grown up in the 1990s, they were educated as a Taiwanese rather than a Chinese through the education system (new textbooks) under the DPP regime (rewriting Taiwan history).

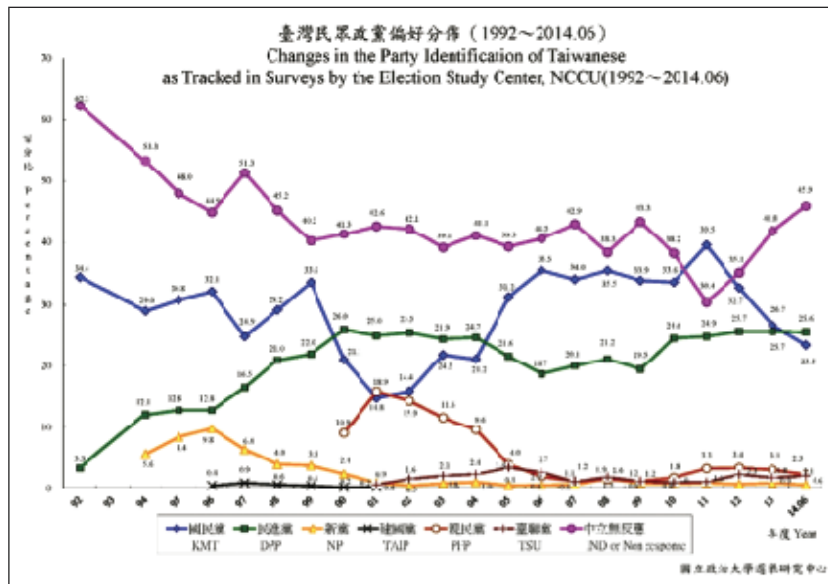
Implications for Taiwan-China relations

New lessons for both governments

- Failure 1: China tended to think that economic benefit was enough to leverage Taiwan's political development! Wrong!
- Failure 2: China tended to think that dealing with KMT was enough! Wrong!
- Failure 3: China tended to think that politics and economic spheres were enough! Wrong!
- Failure 4: KMT tended to think that economic integration would generate prosperity and social support! Wrong!
- Failure 5: Both CCP and KMT tended to follow the old route in dealing with Cross Strait Relations! Wrong!

Will DPP benefit from KMT's failure?

- The youth's anger against the KMT does not transfer to support DPP
- The party identity for DPP is still low
- Increase of neutral voters



Challenges to future Taiwan china relations

- A shock to China, the soft-liners suffered from internal criticism;
- Begins to pay more attention to Taiwanese Society and the youth, rather than depending on businessmen and KMT politicians
- Preparing for the new DPP regime in the 2016 presidential election
- Keep the same tone: peaceful development across the Taiwan Strait
- The hardliners are afraid that Taiwan will eventually run away!
- China leader’s determination is very important for the future peace!

The U.S. attitude matters!

- The U.S.’ rebalancing strategy in East Asia
- The only peaceful area in the East Asian region – Japan vs China, Japan vs Korea; China and neighbors in the South-China sea region
- The U.S. will still protect Taiwan according to Taiwan Relations Act
- Taiwan will pay more attention to domestic economic issues
- But Taiwan should not antagonize China for claiming independence
- Both side have to follow the “one China two interpretations’ policy.



