

## **Comparing the Cross-Strait Economic Policies of KMT and DPP, 2008-2016: Implications for the Future Politics of Taiwan**

Adrian Chi-yeung **Chiu**\* and Kam-ye **Law**\*\*  
*The Education University of Hong Kong*

### **Abstract**

This paper discusses and analyzes the cross-Strait economic policies of the KMT and the DPP in three presidential elections since 2008. The dilemma between the necessity of regional economic integration and the rise of the Taiwanese identity as a result of democratization has led to signs of convergence in terms of cross-Strait economic policies between the two parties in response to international economic environment despite their difference of emphasis and their priorities in facing the global economy. With reference to the implications for the future politics of Taiwan, this study suggested that the growing importance of economic agenda, which bridges the Blue-Green divide, is actually conducive to democratic consolidation in Taiwan. Democratic consolidation has simultaneously reinforced the concept of “stateness” in the development of the Taiwanese identity, which has, in return, challenged the spillover effect of cross-Strait economic relations.

**Keywords:** *cross-Strait relations, economic policy, electoral democracy, partisan politics, Taiwanese identity*

## **1. Introduction**

In multiparty democracies, if the political systems are going to work, people assume that political parties have basically stable positions on policy and these positions diverge, and that voters make choices based on policy preference. However, not most of the research on party competition supports this assumption. Some research examines the policy strategies of vote-seeking parties during election, argues that the parties are motivated to pronounce policies that appeal to voters, whose bias toward the presented policies may be based in part on reasons that have nothing to do with policy (Adams, 2010). Going beyond Western democracies, the current study employs this reflective idea in reviewing a newly consolidating democracy in East Asia, i.e. Taiwan, challenging the conventional assumption of the Blue-Green divide in every aspect of the cross-Strait policy. This study aims to analyze the cross-Strait economic policies of the two major parties in Taiwan, namely, the Kuomintang (Nationalist Party, KMT) and the Democratic Progressive Party (DPP), in three presidential elections since 2008 and to suggest some implications for the future politics of Taiwan. The discussion mainly revolves around two questions: (1) How are these two major political parties in Taiwan similar or different in response to the ever-changing global economic environment? (2) What are the implications for the future politics of Taiwan? It argues that, in spite of their differences, cross-Strait economic liberalization and economic integration appear to be a converging point of the two parties.

The significance of this study is twofold. First, this study fills the gap of understanding the link of the economy and politics of Taiwan

since the KMT government took office in 2008. While economics and politics are closely related, not much has been discussed about the interaction between the international level and the domestic level (Putnam, 1988), such as the impacts of the cross-Strait economic policies on the domestic politics of Taiwan (Wu, 2005). This study attempts to elucidate the link between these two important domains in Taiwan studies. Second, after two decades of electoral democracy, this study assesses the democratic consolidation in Taiwan. Cross-Strait economic policies are an important cutting point (Sanborn, 2015). Empirically, a common concern that a close cross-Strait economic relation will soon be accompanied by political integration emerges. The Sunflower Movement is an evident example of this concern. Nevertheless, this study argues that the relationship between cross-Strait economic and political relations is not as straightforward as spillover effects would suggest and that a simple equation of economic and political integration may overlook the complexities of the interplay between cross-Strait relations and domestic politics.

## **2. Comparing the Cross-Strait Economic Policies of the KMT and the DPP**

The analysis in this section is primarily based on the pronounced policies that the candidates attempted appealing to voters. Therefore, data were gathered concerning the presidential election platforms and election debates of both parties from 2008 to 2016, and is supplemented by media reports.

### ***2.1. The 2008 Presidential Election***

The 2008 presidential election was highlighted by the salient issue of political corruption of Chen Shui-bian since 2005 (Fell, 2012; 2014a).

This issue was used as a medium by the KMT to attack the DPP, which worked and resulted in a landslide victory for the former, gaining more than 58% of votes (Petrocik, 1996). Unlike in the previous elections, the cross-Strait economic policy gained considerable significance in the election platforms.

The resuscitated KMT, represented by Ma Ying-jeou (馬英九) in the 2008 presidential election, shifted its cross-Strait policies by showing goodwill to China through recognizing the “1992 Consensus” and the “One China” principle since the Taiwan Strait peace tour led by Lien Chan (連戰) in 2005. The KMT also agreed to reopen cross-Strait and KMT-Chinese Communist Party dialogues and encourage additional cross-Strait economic exchanges. Thereafter, liberalizing cross-Strait economic interactions became the major economic policy direction of the KMT in the run-up to the 2008 election. Ma believed that the cross-Strait economic integration alongside the improved cross-Strait relations would be the solution for the economy of Taiwan, and the DPP government was criticized to have squandered eight years of golden opportunities. Consequently, Ma pledged to begin cross-Strait negotiations on matters, such as direct flights, tourism, and liberalization of investments, once he was elected (*Apple Daily*, 2008). Generally, he upheld liberal economic beliefs and proposed to lift the control on cross-Strait trades and investments as much as possible to engage Taiwan in the global economic order. Domestically, Ma proposed the “12 Love Taiwan Constructions” that aimed to expand internal demands and to strengthen the infrastructure of Taiwan for economic development (National Development Council, 2009). Moreover, Ma pledged to achieve his “6-3-3 economic plan”, including achieving 6% of annual gross domestic product (GDP) growth, reducing the unemployment rate to 3%, and increasing the per capita GDP to US\$30,000 (*The China Post*, 2008). The KMT attempted to prevent Taiwan from being

marginalized in regional and global economic competitions through these policies.

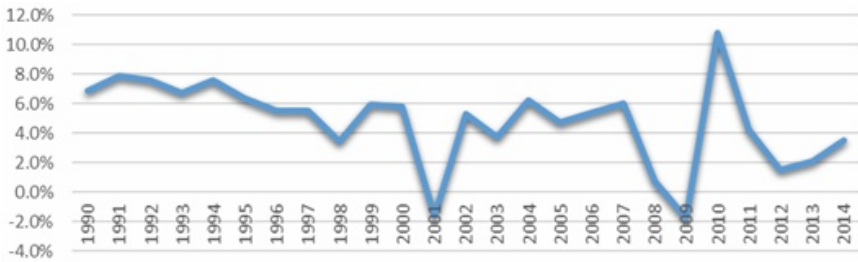
Although Chen had replaced the “No Haste, Be Patient” (戒急用忍) policy with the “Active Liberalization, Effective Management” (積極開放, 有效管理) policy and lifted the 50-million individual investment limit in China during the first term of his presidency (*Taipei Times*, 2001), he was much more restrictive in the remaining years of the DPP administration and eventually changed the policy to “Active Management, Effective Opening” (積極管理, 有效開放) to regulate cross-Strait economic interactions. However, in the wake of the economic dilemma in Taiwan, Frank Hsieh (謝長廷), the DPP candidate in the 2008 election, proposed an economic approach that was actually similar to that of Ma. The only difference between their approaches was on the pace and aspect of liberalization toward China, that is, the DPP was apparently more prudent and focused on defending the autonomy of Taiwan. For example, Hsieh supported the cross-Strait direct flight and tourism from China too, but proposed a conservative scale (*China Review*, 2007; *Epoch Times*, 2007). Hsieh also agreed to open up the investment market but proposed setting a limit on Chinese investors who invested in the property market of Taiwan. While Hsieh did stress on the redistribution of economic benefits and believe that the economic development should be aimed at bringing overall happiness to the Taiwanese people instead of benefiting businesses only, Ma also disagreed to open up the import of labor from mainland China and refused to liberalize the agricultural market for Chinese products to pacify the labor sector and to prevent industries from being “hollowed out”. In summary, despite the difference in some technical measures, the overall economic strategy of the two parties in terms of cross-Strait economic liberalization carried certain similarities.

## **2.2. The 2012 Presidential Election**

The economy remained to be one of the main highlights in the 2012 presidential election, which was held in the midst of the intensified cross-Straits economic integration as a result of the signing of the Economic Cooperation Framework Agreement (ECFA) in 2010 that affected the public. Although Taiwan had restored the economic growth after recording the negative growth in GDP in 2008 and 2009 (Figure 1), social inequality worsened due partly to the relocation of industries to China, and such economic liberalization only benefited a small number of investors (Chang, 2014). The unemployment rate rose to 6.13% in August 2009, and the gap between the rich and the poor widened (Figure 2). On the other hand, metropolitan areas, such as Taipei, usually benefited more from Chinese investments compared with the rural areas in central and southern Taiwan because of the structural variations in different regions of Taiwan. In other words, regional inequalities in Taiwan also intensified (*ibid.*). Theoretically, the rise of inequalities benefitted the DPP in terms of mobilizing popular support because of their longstanding image of being concerned about social equality. However, the incumbent KMT government was still given the mandate to continue the cross-Straits détente and further economic integration.

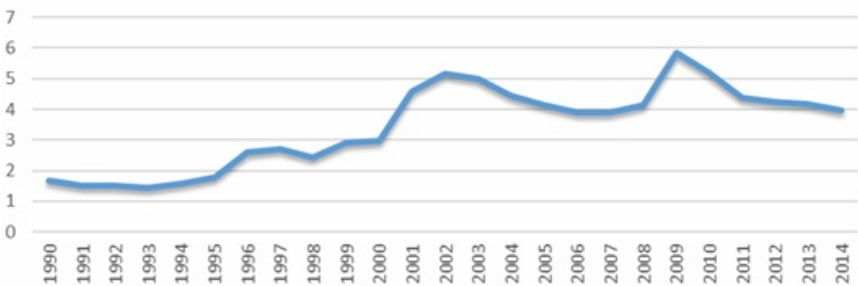
The KMT apparently believed that their cross-Straits economic policies and performance records in the economy of Taiwan had won them the election in 2008. Therefore, despite the economic recessions at the outset, the KMT still acclaimed their economic performance and used further cross-Straits economic liberalization as a major platform in the 2012 presidential election. Ma argued that the KMT put the economy of Taiwan back on the right track and built the foundation for the “Golden Decade” (黃金十年), which was the main slogan of the electoral policy platforms of the party. The “Golden Decade” demonstrated the vision of the KMT to revitalize the economy of Taiwan

**Figure 1** Real GDP Growth Rate of Taiwan (%), 1990-2014



Source: International Monetary Fund.

**Figure 2** Unemployment Rate in Taiwan (%), 1990-2014



Source: Directorial-General of Budget, Accounting, and Statistics.

and improve the living standard of the Taiwanese people. The state-building vision aimed to remind the voters about the achievements of the KMT in the past four years in building the infrastructure for the economic growth of Taiwan. In terms of cross-Strait economic relations, the KMT delivered their promise of cross-Strait détente and economic integration, including the cross-Strait direct flights, the Three Links, the liberalization of investments on both sides, and the 16 cross-Strait agreements, comprising the ECFA. Concerning the future, the KMT

proposed to institutionalize cross-Strait relations and to prudently consider signing peace agreement with China (*Sina News*, 2011). Ma also urged to accelerate the pace of liberalization of Taiwan for mainland investment through concluding follow-up agreements of the ECFA, including the service trade agreement, and to expand the quota for mainland tourists (National Policy Foundation, 2011). Briefly, cross-Strait economic integration continued to be the focus of the policies of the KMT, and the “Golden Decade” plans were construed as the future engine for the development of Taiwan.

On the contrary, the reality of intensified cross-Strait economic interactions promulgated by the KMT since 2008 inhibited the DPP from proposing an alternative policy stance because of the public support for the status quo (Schubert, 2012b). The possible strategic option of the DPP was limited, that is, proposing an ambiguous or contradictory cross-Strait economic policy. The persistent denial of the “1992 Consensus” of Tsai Ing-wen (蔡英文), the DPP candidate in the 2012 election, who proposed an alternative empty “Taiwan consensus”, and the eventual recognition of the ECFA were typical examples of this ambiguity or contradiction. Moreover, the promise to honor the cross-Strait agreements of the KMT and to continue the dialogues made the cross-Strait economic policy of Tsai similar to that of Ma (*Taipei Times*, 2011). However, while lacking uniqueness in cross-strait economic policies, the repeated emphasis of Tsai on “Taiwan value” differentiated herself from Ma. The proposal of “Taiwan consensus”, which encouraged the participation of all the Taiwanese people to form a consensus about the future resolution with China that is unaffected by regime change, was an example of “Taiwan value” (*Taipei Times*, 2011, 2012; *The China Post*, 2012). Nevertheless, the notion of “Taiwan consensus” deliberately remained to be vague and unsubstantial.



The most exhaustive pledge of the policy of Tsai in the 2012 election was the 10-year policy platforms (十年政綱) (*Liberty Times*, 2011). The two major focuses were facing the world and promoting social justice. The former was a strategy counteracting the cross-Strait economic dependency on China of the KMT. The DPP argued that Taiwan should open its economy to the entire world instead of relying on China. The latter was promoted as the most salient issue in the campaign of Tsai in 2012, which addressed social inequalities and the worsened livelihood of the Taiwanese people brought by the cross-Strait economic liberalization (Fuller, 2014; Schubert, 2012a, 2012b). She advocated social equality and justice through the redistribution of wealth and argued that the government has a responsibility to ensure that economic successes benefit not only businesses and investors. Therefore, the redistribution of social resources was the focus of the policy platforms of the DPP. The economic policy should be in agreement with the social policy (Chang, 2014). In summary, the 10-year policy platform advocated “to walk toward China through the international community” (從世界走向中國), which implied that Taiwan should rectify its over-dependency on China (DPP, 2011). The DPP avoided mentioning in their campaign that they accepted the status quo of the economy being opened toward China by the KMT.

### ***2.3. The 2016 Presidential Election***

The domestic political and economic backdrop of the 2016 presidential election shared similarities and differences compared with the one in 2012. Although President Ma pledged to create “Golden Decade” for Taiwan that would ensure economic prosperity and political stability, he failed to keep his promise when he took office in 2008. Although Taiwan enjoyed cross-Strait political stability after the turbulent eight years of the DPP administration and economic recovery after the financial crisis

in 2008, the level of economic boost promised from the ratification of the ECFA had not been delivered, and the social indicators did not improve much from the 2012 election. The economic benefits were not equally shared among the people, which was one of the main triggering factors for the Sunflower Movement in 2014 to occupy the Legislative Yuan for 23 days (Ho, 2015; Rowen, 2015). The movement could be considered a consequence of the extent of the cross-Strait economic integration promoted by the Ma administration. In the aftermath of the Sunflower Movement, the popularity of Ma dropped to rock-bottom and had not recovered much since then (*Liberty Times*, 2016; TVBS, 2016). Even until the end of his presidency, the approval only stood at 23% (TVBS, 2016). In the 2016 presidential election, cross-Strait relations and the economy were regarded as salient but independent issues. Both parties sought to avoid the sensitive issue of the cross-Strait economic integration. The election also seemed to move away from the negative campaign of political corruption.

The unpopularity of Ma clearly damaged the prospect of the KMT in this election by putting them in a dilemma. The dissipation of the promise of the “Golden Decade” inhibited Eric Chu (朱立倫), a KMT candidate, after replacing the equally unpopular Hung Hsiu-chu (洪秀柱), from defending the economic record although KMT was the incumbent government. Therefore, unlike in previous elections, despite being the concerns of the KMT, cross-Strait economic integration and liberalization recognized the need for redistributive measures to address the concerns of the Taiwanese voters, particularly young people. In practice, Chu attempted to distance himself from the government policies of Ma. Although he recognized that the development directions, which were cross-Strait economic integration and political reconciliation, of the Ma administration were correct, he also acknowledged the wrongdoings of the incumbent, including the failure

to redistribute wealth and reach the consensus within the society. He portrayed himself as the champion of the successes of the KMT government but eradicated the mistakes of the Ma administration (Chu, 2015). On the one hand, he acclaimed the political and economic progresses that were achieved within the eight years of cross-Strait détente. The KMT endorsed further cross-Strait economic integration and liberalization and deepening of the ties between the two sides on other issues, such as culture, education, and environment, based on the “1992 Consensus”. For example, the KMT continued to advocate the “Free Economic Pilot Zone” that promotes deregulation and free movement of goods, labor, and capital for primarily high value-added service industries (*Liberty Times*, 2015a). Chu believed that this path could improve the international space for Taiwan in signing regional trade agreements, such as Trans-Pacific Partnership and Regional Comprehensive Economic Partnership (Chu, 2015). On the other hand, the KMT deviated from their traditional ideology and attempted to steal the agenda of the DPP by proposing minimum wage and a progressive tax system to address the wealth disparity (*Initium Media*, 2015). This proposal marked a significant shift of the KMT to the “left” in terms of the socioeconomic spectrum, which also showed the significance of the agenda of social justice since the Sunflower Movement imposition that forced political parties to respond. By doing so, he hoped to gain from both sides of the dilemma.

The dilemma of the DPP in 2012 was alleviated by the increasing skepticism toward cross-Strait economic relations in the aftermath of the Sunflower Movement. In other words, the unpopularity of Ma and the KMT contributed to the final victory of the DPP. This victory allowed the DPP to criticize the KMT for the hollowing out of the economy and the lack of domestic demands and to propose substantial reforms to change the status quo (Tsai, 2015a). Instead of pledging to increase the

GDP growth rate similar to what Ma did eight years ago, the DPP advocated “innovation, employment, and distribution” to be the new economic development model for Taiwan to address the inequality caused by the cross-Strait economic integration. Therefore, although Tsai again did not oppose the economic liberalization, she focused on developing the domestic competitiveness and local investment of the economy. In particular, she proposed the “five innovation development plan” (五大創新研發計畫) to identify five industries for innovation, including intelligent machinery industry, defense industry, and biotech medicine industry. Furthermore, she prioritized three industries to be the “key industries” that the government would support, namely, “future industry”, “sustainable green industry”, and “lifestyle industry” (*ibid.*). The DPP did not avoid addressing cross-Strait economic relations this time. The same policy stance in 2012 was proposed but was supported with considerable substantial policy proposals. On the one hand, Tsai recognized and proposed to regulate cross-Strait agreements through the “Cross-Strait agreement supervision framework” (兩岸協議監督條例) (Tsai, 2015b). On the other hand, Tsai continued to argue against the dependence on the Chinese market. As the cost of labor began to rise in China since 2010, she proposed the “New Southbound Policy” (新南向政策) similar to the one in the 1990s that aims to diversify from the trade and investment reliance on China.

Compared with the vague “Taiwan consensus” proposal in the previous election, the DPP attempted to rebrand this proposal this time to avoid the fierce opposition from China. Tsai argued that the current “Taiwan consensus” was “maintaining the status quo”. In fact, as argued by Shaw (2017), although the position of the DPP that argued for “maintaining the cross-Strait status quo” seemed to be similar to the position of the KMT, the emphasis had been put on maintaining the status quo of the “Taiwan value”, such as transparency and democracy,

without recognizing the “1992 Consensus” (Tsai, 2015b). The future resolution remained to be vague and subject to domestic consensus.

### **3. Implications for the Future Politics of Taiwan**

#### ***3.1. Beyond Blue and Green?***

Therefore, although the DPP has been prudent in their rhetoric in managing cross-Strait economic integration, the KMT and the DPP seem to have converged in the aspect of cross-Strait economic interactions. Without neglecting the ideologies of the two parties and their differences in political position with respect to the ultimate cross-Strait resolution, the convergence in cross-Strait economic interactions has important implications for domestic party politics.

Party competition in Taiwan has long been defined by ideology toward the political resolution of cross-Strait relations (Hughes, 2011; Schubert, 2004). The distinction between the “pan-blue” that is pro-unification and the “pan-green” that supports Taiwan independence has been the most fundamental attribute to differentiate the political parties of Taiwan and has been the defining feature of party competition in the past two decades (Fell, 2012, 2014a). However, the convergence of the KMT and the DPP on cross-Strait economic policies could be a factor that bridges the Blue-Green divide. This convergence was demonstrated by the fact that both parties sought to avoid the issue of cross-Strait economic integration during the 2016 election in the aftermath of the Sunflower Movement. Although the two parties remain different in their ideologies in dealing with China (Fell, 2005), cross-Strait economic liberalization and interactions are inevitable. Therefore, their economic policies in the future should focus on how to manage cross-Strait economic liberalization and interactions and maximize the interests of Taiwan under the circumstances faced.

In fact, as argued by Huang and James (2014), the partisanship color of Taiwan is blending into “aquamarine” – a mix of blue and green. Given the military threat of China, both parties enjoy the status quo in the Taiwan Strait: peace, stability, and acceptance. Changing the staying power is costly (Samuelson and Zeckhauser, 1988), considering that the majority of the Taiwanese people seemingly prefer the status quo today and in the future (Figure 3), which expect changes “do not transform it into a qualitatively new state corresponding to either reunification or independence” (Huang and James, 2014: 677). Central to this issue is the vagueness of the “1992 Consensus” itself. Although not recognized by the DPP, this consensus has appeared to be increasingly moderate and pragmatic with China. Although one of the aims of the Sunflower Movement is to protest against the pace of cross-Strait economic integration, the positions of the DPP on cross-Strait economic policies are not likely to change drastically even with regard to the promotion of the “New Southbound Policy” because China remains the major trading partner of Taiwan amid the intention of the Tsai government to reduce economic reliance on China.

In addition, the Blue-Green divide in party competition has made *Tongdu* (統獨, i.e. unification vs. independence) and national identity issues, along with political corruption, the most consistently salient issues in more than two decades (Fell, 2005, 2011, 2014a; Hsieh and Niou, 1996). In previous elections, social welfare issues were the only area in Taiwan that followed the socioeconomic left-right distinction (Fell, 2005). The surge of economy-related issues in elections sparks discussion with reference to the left-right distinction. The 2014 local election reveals that Sean Lien (連勝文, Lien Sheng-wen) agreed to “rightist” ideologies by stressing on strengthening and developing the economy that could give hope to the future generations, whereas the

leftist Ko Wen-je (柯文哲) supported progressive values, such as narrowing the disparity of wealth and promoting a fair share of public resources (Taipei City Electoral Committee, 2014). This situation has expanded the electoral debates in Taiwan to resemble the conventional Western distinction of the left and the right.

The aforementioned implications on party and electoral politics create the political opportunity structure for the emergence of splinter and challenger parties to propose alternative approaches and new issues (Fell, 2014b, 2016; Lucardie, 2000). Duverger's (1959) theory predicts that the electoral system after 2008 is institutionally unfavorable to small parties because the majoritarian squeezes the leeway, and therefore makes it more difficult for them to win the seats. This theory partly explains the decline of small parties in the 2008 and 2010 elections and affirms a two-party system (Fell, 2014a, 2014c). However, the small parties have adapted to and overcome the structural constraints since 2012. In the 2014 local elections, "challenger" parties, such as Green Party Taiwan, and "splinter" parties, such as Taiwan Solidarity Union (TSU), ran a successful campaign to gain some seats. Social activists also launched the Social Democratic Party (SDP) to participate in the 2016 Legislative Yuan election by forming coalition with the Green Party (GP) (*Focus Taiwan*, 2015; *The Storm Media*, 2015a; *Taipei Times*, 2015). Moreover, the students who supported the Sunflower Movement formed the New Power Party (NPP), which represented the radical voices in terms of the *Tongdu* issues toward independence (*Liberty Times*, 2015b; *The Storm Media*, 2015c). They had even run a successful campaign to gain five seats in the Legislative Yuan (Fell, 2016), which was attributed to the collaboration with the DPP.

The two types of small parties have utilized two distinct aspects of the political opportunity structure (Lucardie, 2000). The splinter parties utilized the space resulted from the convergence of parties. For example,

the DPP's reluctant acceptance of the ECFA gave a chance to the splinter party TSU to advocate terminating it altogether in the 2012 election (Fell, 2014b, 2014c; Meguid, 2008; *Taipei Times*, 2011). The NPP, although in some sense a mixed party, attempted to utilize the vagueness of the DPP in terms of the cross-Strait resolution to propose the "normalization of the statehood of Taiwan" in the 2016 election. Another type of small parties – challenger parties – attempted to appeal to voters on a completely different set of ideologies and issues (Lucardie, 2000). For example, the SDP-GP coalition successfully articulated the new cleavage in the emerging left-right divide in elections by advocating various post-materialistic appeals, such as land justice and environmentalism (Fell, 2014b). Although the DPP transformed their image from a "Taiwan Independence" party to a party advocating values, such as fairness and justice, in the 2012 and 2016 elections and attempted to reassociate with the civil society that is progressive in nature (Ho, 2014), their increasing compromise with large businesses and avoidance of an antibusiness image prevented them from a firm hold on the ownership of those appeals and gave opportunities for the challenger parties (Fell, 2014c; *The Storm Media*, 2015b). Therefore, although the two mainstream parties would still be dominant, the optimistic prospect for both types of small parties could lead the author to expect the next parliament to be diversified (Fell, 2016).

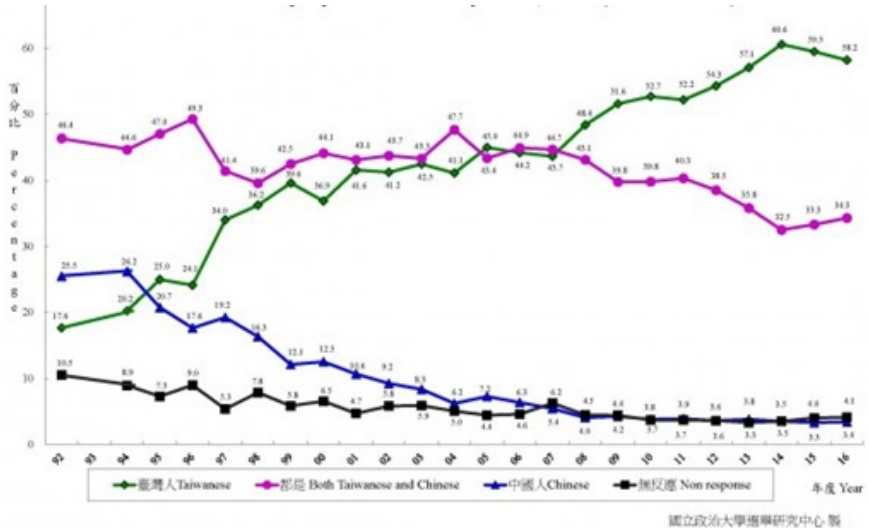
### ***3.2. Spillover Effect?***

One important concern regarding the cross-Strait economic policy is the spillover effect of cross-Strait economic relations, which predicts that economic integration would possibly cause political reconciliation and integration, such as in the case of the European Union (Hsu, 2010; Keng, 2011; Muiyard, 2012; Wu, 2010). Apparently, the underlying concern is that cross-Strait economic integration might become an economic



dependency structure that is manipulated by Beijing as a means of “United Front work” (統戰工作) (Wu, 2015) to control the domestic politics of Taiwan through “linkage community” (Wei, 1997), including *Taishang* (台商, i.e. Taiwanese businessmen) (Keng and Schubert, 2010; Schubert *et al.*, 2015). The Taiwan “compatriots” are offered preferential treatment as tourists, students and investors, which attempts to bind Taiwan ever closer through trade and to encourage Taiwanese to see themselves as part of Greater China. However, the reality in domestic politics of Taiwan has put this conviction into question (Cole, 2017; Yu *et al.*, 2016). Despite the close economic integration between the two sides since 2008, the national identity of Taiwan has not moved closer toward the identity of being Chinese, and many people regard themselves as only Taiwanese. The survey conducted by the Election Study Center of the National Chengchi University (2016) (Figure 3) corroborated that people who consider themselves as Taiwanese have kept increasing in number, surpassed the group of dual identities, and become the majority since 2008. In 2016, almost 60% of the population stated that they were purely Taiwanese, whereas approximately 34% of the population considered that they were “both Taiwanese and Chinese”. Therefore, Taiwan has not moved toward political integration resulted from the economic integration as the DPP feared. The rising Taiwanese identity and public opinions have also constrained the KMT from proceeding any further with the justification of economic pragmatism in the 2016 election (Chu, 2011). In fact, the previous KMT administration had attempted to reverse the tide of increasing Taiwanese identification through de-Taiwanization and resinification measures (Corcuff, 2012). For example, Ma repeatedly described the people of both sides as *yanhuang zisun* (炎黃子孫, i.e. descendants of Emperor Yan and Emperor Huang) and as parts of the same *zhonghua minzu* (中華民族, i.e. Chinese nation) to signify the shared Chineseness

**Figure 3** Changes in the Taiwanese/Chinese Identity of Taiwanese as Tracked in Surveys by the Election Study Center, NCCU (1992 ~ 2016.12)<sup>+</sup>



Source: Election Study Center, National Chengchi University.

in Taiwan (Hughes, 2014). The curriculum controversy raised by the Ma administration also signified the intention of the KMT to reintroduce Chinese nationalism in education. Nonetheless, none of these moves seem to have successfully strengthened the Chinese identity as aspired.

Therefore, the spillover effect of economic integration has not yet successfully applied across the Taiwan Strait. Instead of following the assumption of the realists and liberalists who suggest that the spillover effect of economic integration will eventually lead to political integration (Wang *et al.*, 2012), the constructivist approach could be a useful alternative to understand cross-Strait relations (Li, 2014). National identities of people, such as people of Taiwan, are social

constructions based on norms, ideas, and common experiences. The perception of interests of people is also shaped by these aspects and is subject to change (Wendt, 1999; Jepperson *et al.*, 1996). For example, research has affirmed that people are likely to regard themselves as Taiwanese when China is perceived as a threat, but the Republic of China (ROC) identity increases when China is interpreted as an opportunity. This factor has been especially strong among young people in constructing their Taiwanese identity, who are likely to perceive China as a threat (Chang *et al.*, 2014). In any case, the democratization experience of the Taiwanese people has definitely formed a distinct identity that differentiates them from the Chinese people. This experience is always a significant factor that is inevitable in negotiating cross-Strait economic integration and the political future of Taiwan. The construction of national identity of Taiwanese explains the improbability of the spillover effect from economic integration to any political amalgamation as some would expect in the near future (Cole, 2017).

### ***3.3. Democratic Consolidation?***

Therefore, how do these implications help in understanding the democracy and future cross-Strait relations of Taiwan? First, the development of party and electoral politics has provided plausible optimism for democratic consolidation in Taiwan. Most scholars studying democratization would agree that a democratic regime is consolidated when all political actors within the political system recognize the same set of institutionally democratic settings and work within this system regardless of circumstances or simply when democracy is the “only game in town”. In other words, a high degree of institutional routinization exists (Diamond, 1994; Linz and Stepan, 1996; Schedler, 1998). In this light, the breakdown of the longstanding Blue-Green divide in economic policies does not lead to democratic

erosion. Rather, several political elites have utilized political opportunities and worked within the institutional framework by forming alternative parties and competing in elections under emerging socioeconomic cleavages in Taiwan. This circumstance has broadened electoral appeals, created crosscutting cleavages, and offered choices to voters in elections. Even after the large-scale Sunflower Movement, the majority of the public still expressed their opinions through the democratic institutions and procedures to punish political parties effectively in the 2014 and 2016 elections.

Second, consolidated democracy has also strengthened and reinforced the concept of “stateness” in the Taiwanese identity. This scenario has made the spillover effects of economic integration difficult in the future. Linz and Stepan (1996) stated that “without a state, no modern democracy is possible” (p. 17) because “without a state, there can be no citizenship; without citizenship, there can be no democracy” (p. 28), given that citizenship has defined the voting rights in elections. There is a common viewpoint that Taiwan enjoys *de facto* independence but is not *de jure* independent as a state, but its consolidated democracy has constructed its subjectivity – it has effectively denied the “ROC” to control over the entire China (including the mainland, as what KMT did before 1949), but Taiwan only, as the constitution stated. This “stateness” of Taiwan has been considerably embedded in the Taiwanese attitude toward cross-Strait economic ties since 2008. The new DPP administration is also governing based on this vision of “statehood”. This significant element embodied in the upsurge of Taiwan nationalism brought by democratic consolidation has effectively denied the integration paradigm proposed by China and could dominate the nature of future gaming between the two sides.

#### 4. Conclusion

This paper discussed and analyzed the cross-Strait economic policies of the KMT and the DPP in three presidential elections since 2008. The dilemma between the necessity of regional economic integration and the rise of the Taiwanese identity as a result of democratization has led to signs of convergence in terms of cross-Strait economic policies between the two parties in response to international economic environment despite their difference of emphasis and their priorities in facing the global economy. With reference to the implications for the future politics of Taiwan, this study suggested that the growing importance of economic agenda, which bridges the Blue-Green divide, is actually conducive to democratic consolidation in Taiwan. Democratic consolidation has simultaneously reinforced the concept of “stateness” in the development of the Taiwanese identity, which has, in return, challenged the spillover effect of cross-Strait economic relations.

The breakthrough of the Blue-Green divide in cross-Strait economic policies does not signal democratic breakdown to Taiwan. Instead, new electoral agendas, such as social justice, may replace the significance of the *Tongdu* and national identity issues, and contribute to the healthy development of democracy in Taiwan (Fell, 2015). In terms of cross-Strait relations, the democratic consolidation in Taiwan has made peaceful political integration improbable because cross-Strait interactions that will be taken by the KMT and the DPP in the future have to address the rising sentiment of “stateness” within the Taiwanese identity.

## Notes

- \* Adrian Chi-yeung Chiu (趙致洋) is currently the Assistant Editor at the *Hong Kong Journal of Social Sciences*, the Education University of Hong Kong. He was a Master graduate of Politics of China from the School of Oriental and African Studies, the University of London. His research interests includes Taiwan politics, cross-Strait relations, Hong Kong-Taiwan relations and China's international relations with Southeast Asia. <Email: cychiu@eduhk.hk>
- \*\* Dr Kam-ye Law (羅金義) is an Associate Professor in the Department of Social Sciences and Co-Director of the Centre for Greater China Studies at the Education University of Hong Kong. <Email: kamyee@eduhk.hk>
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