



Taiwan's New Status Quo

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The rapid rise to power of Taiwanese President-elect Tsai Ing-wen may come as a surprise to the casual political observer. But those who are in tune with Taiwan's younger generation of voters know that the landslide victory by the mild-mannered, left-leaning, former law professor in January was a long time in the making.

Regarded by many as the most powerful woman in the Chinese-speaking world, Tsai came from an academic background. The youngest of 11 children, she grew up in a wealthy family, the daughter of an entrepreneurial father who insisted that she go to public school at a young age to expose her to various social classes. Her modest upbringing likely seeded her deep sense of social justice, which sculpted her key social agendas: to reduce income inequality and foster a more productive entrepreneurial environment for the younger generation. This connection with average citizens was key to her victory as she seemed to be the only candidate to relate to working class issues. While Tsai, who is single, will also become Taiwan's first female president, she ran a campaign that attempted to be gender-neutral. Taiwan has among the highest rates of women's parliamentary participation in Asia. In recent legislative elections, 38% of seats went to women, an increase from the previous elections, and Taiwan's constitution even prescribes a gender quota for elected officials.

Tsai, known for her skillful negotiations, came from an academic background. Her father had urged her to pursue a degree in law, and she earned a bachelor of law at National Taiwan University followed by a master's degree from Cornell Law School and a doctorate from the London School of Economics. Her expertise in Law and proficiency in English is said to have led her toward her political career as she was a legal consultant for Taiwan's World Trade Organization (WTO) entry negotiations.

During the first 10 years of her political career, she essentially maintained bipartisanship between the pro-unification Kuomintang (KMT) party and its rival Democratic Progressive Party (DPP). She did not pledge her allegiance to the DPP until 2004, but quickly moved up the ranks to be its chairwoman by 2008.

Tsai's first direct dealing with China was as a national security advisor to former KMT President Lee Teng-hui. She helped draft a state-to-state relations doctrine based on a sovereign Taiwan, which did not please China. Later on, in her role as chairperson of the Mainland Affairs Council, she took a more pragmatic approach by persuading the DPP to allow cross-strait investments. Her stance toward China became even more neutral during the 2016 elections as she continued to express her desire to maintain the "status quo," for a "consistent, predictable and sustainable relationship with China" based on the broad consensus of the Taiwanese population, while concurrently emphasizing the need for Taiwan to preserve its democracy and diversify away from dependence on the Chinese economy.

High Hopes for Reform

When Tsai takes office in May, it will be the first time in history for the DPP to concurrently control both the office of the president and the legislature, and there are pent up expectations that the reforms it seeks may be more easily implemented. Tsai's key reform initiatives include: improving government transparency, spurring an innovation-driven economy, reforming social infrastructure and diversifying international trade.

Her social infrastructure reform plans consist of two parts—restructuring the large health care and public employee pension programs while adding social safety net features for those in need. Key social safety net projects include social housing, senior care and childcare. Finally, Tsai has long been a proponent of keeping Taiwan's economy balanced. Since the KMT victory in 2008, Taiwan has signed multiple trade packs with mainland China, and as a result, has grown more dependent on the mainland for economic growth. Tsai's efforts will seek to remedy this. Her policies resonate well with Taiwan's young population as millennials generally face a much tougher economic outlook than their parent's generation.

The election outcome also sends a strong message to Beijing that cross-strait affairs may not be as smooth

as in the previous eight years under KMT party rule. As President-elect Tsai takes over, there will be eager supporters on the island and cautious spectators across the strait. We at Matthews Asia, as always, will be curious observers and look for emerging investment themes along the way.