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***TAIWAN'S PRESIDENT MUST PROVE SHE CAN LEAD:
After an unremarkable first 100 days, it's time to get results on economic reform,
international trade and relations with China***

**Commentary by Rupert Hammond-Chambers
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Taiwan's President Tsai Ing-wen recently completed her 100th day in office, and many questions remain about the future direction of her government.

Ms. Tsai has assembled a strong and stable cabinet of permanent bureaucrats and academics. The absence of business professionals is regrettable, but she has appointed highly capable and experienced leaders such as John Deng, the minister without portfolio responsible for trade. She also tapped the untested Audrey Tang to drive intergovernmental technology integration and to lead Taiwan's push for more entrepreneurship and innovation.

Ma Ying-jeou, Taiwan's previous president, was quick to fire cabinet officers out of political expediency, but Ms. Tsai says she will give them an opportunity to succeed and will likely hold on to her team until at least January 2018.

Ms. Tsai campaigned to tackle Taiwan's economic challenges, including stagnating wages and decreasing global competitiveness. She will now address the island's excessive focus on China while also attempting to reform its economy, open new markets—with a focus on Southeast Asia—and gain access to trade agreements such as the Trans-Pacific Partnership (TPP). To help, Ms. Tsai is creating a cabinet-level agency, similar to the Office of the U.S. Trade Representative, to be run by Mr. Deng.

TPP remains the ultimate goal for Taiwan. A deal without Taiwan, but inclusive of its major trading partners, would be disastrous for the country's commercial interests. TPP's fortunes don't look rosy at the moment, but if it has legs, expect Ms. Tsai to push hard for membership in 2017.

The president's Democratic Progressive Party (DPP) holds a majority in Taiwan's Parliament, the Legislative Yuan, and Ms. Tsai's relationship with the Legislative Yuan will be critical to her ability to succeed over the next four years. The DPP's parliamentary caucus has had an unremarkable start to its current term, despite passing some important legislation, including authorizing an investigation into and the seizure of assets gained by the opposition Kuomintang (KMT) during its years of dictatorship and martial law.

Much larger tasks loom, as Ms. Tsai has initiated an overhaul of Taiwan's pension system, with long-term solvency as the goal. It would be a huge win both for Ms. Tsai and for Taiwan's economic health.

One focus of the Legislative Yuan during the new parliamentary session that began this week will be the 2017 budget. Priorities include funding Ms. Tsai's "Go South" policy to engage Asean and Southwest Asia, particularly India, as well as boosting the island's defense companies and supporting her Asian Silicon Valley initiative. It's possible she may also move on the stalled China trade policy legislation, as passage would be a goodwill gesture toward China and would be well received in the U.S. But that would expose Ms. Tsai to criticism that she's not being tough enough on China.



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The opposition KMT is now led by Hung Hsiu-chu, a former presidential candidate and the party's chairwoman, who is consolidating control of the party by focusing on the interests of the "deep blue" faction committed to unification with China. On Sept. 4, the party adopted a series of policy positions that included a new interpretation of the so-called "1992 Consensus." The KMT is doubling down on its China-centric focus at a time when citizens continue to show increasing disinterest in any form of political accommodation.

In fact, Ms. Tsai's primary external challenge so far has been Chinese intransigence to her election. Along with the constant drumbeat of Chinese military modernization, China has poached a diplomatic ally, had Taiwan citizens deported from third countries to China and reduced by up to one-third the number of Chinese tourist groups visiting Taiwan.

Yet China's provocative behavior has been calibrated to avoid a downward spiral of exchanges with Taiwan from which it would be difficult to recover without losing face, while at the same time to avoid rousing the U.S. into making a show of support for its longtime ally. Ms. Tsai has been careful to refuse China's "one China" policy, but she has also stated that no outcome is off the table so long as Taiwan gets to determine its own future. This new normal in cross-Strait relations is unlikely to change in the next six to 12 months, with both sides focusing on higher priorities.

The Taiwan people are likely to give Ms. Tsai some time to right the country's economic ship, and we'll learn more in the next few months what she can control. What's impossible to predict is how her government will act in a time of crisis, particularly if there's an escalation in tensions with China. Ms. Tsai is tough and focused, but she will need to show she's willing to be unpopular to get her reforms enacted.

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About the US-Taiwan Business Council:

The US-Taiwan Business Council (www.us-taiwan.org) is a membership-based non-profit association, founded in 1976 to foster trade and business relations between the United States and Taiwan. The Council provides its members with business intelligence, offers access to an extensive network of relationships, and serves as a vital and effective representative in dealing with business, trade, and investment matters.

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