

## Chapter 16

### Coping with the Challenge of Democratic Governance under Ma Ying-jeou

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When Ma Ying-jeou was inaugurated on May 20, 2008 as the 8th President of the Republic of China under the current constitution (and the 3rd since the introduction of popular vote in 1996), he was entrusted with a strong popular mandate and a unified government. He delivered a convincing win over his DPP opponent in the March election with 58.5% of the popular votes, while the KMT and its political allies grabbed a three-quarters majority of the Legislative Yuan in the LY election two month earlier.

In theory, the KMT's electoral landslide in 2008 should have brought a conclusive end to the crippling experiences of divided government during Chen Shui-bian's eight-year presidency and put the island back on the track of effective governance. However, this reasonable expectation was unfortunately never fulfilled. In reality, Ma Ying-jeou has encountered mounting obstacles whenever he pushed forward major policy initiatives, and he has increasingly found himself entrapped in a quagmire of political deadlock. His public approval ratings suffered a nosedive less than six months into his presidency and remained depressingly low throughout his first term as president.

This does not suggest that Ma accomplished very few things during his first term. He should be given the credit for laying a solid foundation for cross-Strait peace by deescalating the military tension, resuming the official dialogues and negotiations interrupted during the previous DPP administration, and concluding 16 bilateral pacts with Beijing, covering a wide range of subjects such as civil aviation, investment

protection and food safety protection.<sup>1</sup> In particular, the signing of the Economic Cooperation Framework Agreement (ECFA) in June 2010 was widely regarded as a milestone in cross-Strait relations. The ECFA set in motion negotiations on a full-fledged cross-Strait free trade agreement. The ECFA enabled the island to unleash its full potential in exploiting expanding business opportunities in mainland China, which has suddenly emerged as the new buyer of last resort after the 2008-09 global financial crisis. The agreement also helped put Taiwan back on the map of foreign multinationals, which suddenly found new possibilities for incorporating the island into their Greater China strategy. Another path-breaking agreement was the 2012 Memorandum of Understanding on Cross-Strait Currency Settlement, which created the necessary mechanism for the two sides to settle their bilateral trade in *Renminbi* (RMB), jumpstart cooperation in the financial industry across the Strait, and open up the possibility of developing Taiwan into another offshore RMB center after Hong Kong.<sup>2</sup>

President Ma should also be given credit for restoring trust and friendship with Taiwan's major allies and trade partners, raising Taiwan's profile in the international arena, and building a connecting path to the regional free-trade blocs. Between 2010 and 2011, Taiwan launched free trade agreement negotiations with Singapore and New Zealand, respectively. By the end of 2012, 124 countries and territories, including the United Kingdom, Japan, Canada, the European Union and the US, had offered Taiwan citizens visa-free travel status. In 2009, Taiwan was invited by the World Health Organization (WHO) to become an observer (under the name Chinese Taipei) at its assembly. For the first time since the Republic of China was forced out of the UN in 1971, a cabinet-level public health official from Taiwan was given the official podium at a UN agency. In 2013, the International Civil Aviation Organization made an unprecedented gesture by inviting Taiwan's head of civil

aviation authority to be a special guest of its bi-annual assembly.

Ma's administration should also be recognized for its resolve to push two monumental bills for government reorganization through the LY in 2010. The first bill, which was initiated in 1987 but had been shelved for 23 years, extensively reorganized the Executive Yuan by eliminating a dozen or so ministry-level agencies and consolidating overlapping governing responsibility in a few super-ministries. The second bill paved the way for elevating some populous county-level cities to municipalities, typically by annexing their neighboring counties. Under the new bill, three more municipalities, Hsinbei (formerly Taipei County), Taichung and Tainan, were allowed to join the ranks of Taipei and Kaohsiung. These three new municipalities together account for almost a quarter of Taiwan's population, who will benefit from the expected upgrade in the basic infrastructure and quality of public service.

Ma probably also deserves some credit for steering Taiwan's economy steadily through the worst global economic crisis since the Great Depression.<sup>3</sup> Like all other export-oriented East Asian economies, Taiwan's dependence on trade through global production networks and export-led growth strategies made the island highly vulnerable to the sharp contraction of demand from the North American and European economies. Taiwan's economy slumped into recession in the second half of 2008. Its real GDP, following a growth rate of 5.7% in 2007, registered a meager 0.7% growth in 2008 and contracted by 1.9% in 2009 primarily due to a record 19% drop in the total exports. By the first quarter of 2010, not only did Taiwan exit the recession, it recovered the entire loss in output during the so-called "Great Recession." Taiwan registered an astonishing 13.6 percent (annualized) growth in the first quarter of 2010 and a remarkable 10.8 percent for the year. This made Taiwan's recovery trajectory superior to that of South Korea, which managed to bounce back only at a 6.1 percent

growth rate in 2010.

These accomplishments were enough to carry President Ma through his re-election bid in 2012. But they still fell far short of what his campaign platform had promised, trailing far behind the high expectation of the great majority of Taiwan's populace. And they were far from being nearly adequate to reverse many of the worrisome long-term trends that threaten the island's economic future.

This chapter offers a retrospective analysis of Ma Ying-jeou's sluggish record in coping with the challenge of democratic governance between 2008 and 2013, and it explains why his administration was not able to restore effective governance. While deficiency in his political capability and leadership style has clearly been partially responsible for the disappointing record, there are many intractable factors -- structural, institutional and ideological -- that are now beyond the grip of its political leaders and that pose formidable obstacles to the restoration of effective democratic governance in Taiwan. In a way, the capacity of the political system has been so severely damaged that it is simply not up to the task of responding to the increasingly severe international and domestic policy challenges it faces.

### Unfavorable Structural Conditions

Three structural forces -- deteriorating international competitiveness, an aging population and dwindling fiscal resources -- cast a dark cloud over Taiwan's future. Together they severely constrain—and figure to increasingly constrain—the scope of any democratically elected government to deliver satisfying socioeconomic outcomes.

To begin with, Taiwan has encountered major bottlenecks in its economic growth path in the last decade and has been unable to overcome them. Taiwan's

economy, built on an export-oriented manufacturing sector, was once a powerhouse of Asia's emerging economies. But over the past decade or so, growth in personal income has slowed considerably and the Taiwanese economic miracle has begun to fade. Its per capita income reached US\$8,339 (at current prices) in 1990, and by 2000 it had risen to \$14,906, a benchmark for a middle-income country. Since then, the pace of economic growth has slowed. Despite its declining birth rate, Taiwan only managed by 2012 to bring its per capita income to \$20,995, the lowest among the four so-called Asian Tigers (which also include Korea, Singapore, and Hong Kong).<sup>4</sup>

Over the last decade, the government did very to little help Taiwan's private sector to retool its business model. Most Taiwan's export sectors continue to position themselves as low-cost manufacturers in the global production networks. Furthermore, Taiwan's exports have become excessively concentrated in electronics and information technology products. This also means that the lion's share of these exports was suffering from commoditization pressures, with their profit margins shrinking over time. South Korea, on the other hand, has transformed itself into an innovative high-tech country with well-established global brands such as Samsung, LG and Hyundai, and both Singapore and Hong Kong have become leading global services providers.<sup>5</sup>

Clinging to this business model anchored on low-cost manufacturing had two dire consequences for Taiwan's income distribution. First, it suppressed wage levels, since Taiwan had to compete with the lower-cost, lower-wage countries entering this space in the global production chain. Most middle and lower-income families have actually experienced a slow decline in their living standards since the late 1990s. At the same time, the business community has always exerted tremendous pressure on the government for lower tax rates and more generous tax codes for stock options or R&D write-offs. In the end, the tax codes have become so skewed that they

aggravated (rather than ameliorated) the problem of widening income and wealth disparity that inevitably comes with globalization.

The rapid rise in the costs of labor and land in mainland China over the last decade has posed a dual challenge to Taiwan. First, it squeezed the profit margins of Taiwanese firms, as a large proportion of Taiwan's manufacturing activities have already been relocated to mainland China. Second, it compelled mainland Chinese exporters to climb rapidly up the ladder of higher-value-added manufacturing and become fierce competitors of Taiwanese firms. In a nutshell, Taiwan has run its course in using mainland China as an export platform to sustain its contract manufacturing business model. Now it faces the daunting challenge of carving out an alternative path of sustainable growth.

Second, Taiwan faces a huge social challenge brought about by a rapidly aging population and swiftly declining fertility. According to the official projection, a majority of Taiwan's postwar baby boomers will be over 65 in 2016, leading to a wave of retirements, with seniors exceeding more than three million. By 2017 the elderly population will outnumber the juvenile population. The culprit behind Taiwan's aging population is its low birthrate. In 2012 the number of newborns in Taiwan was one-third less than that of 15 years ago, and in 2011 the fertility rate sank to 1.0, one of the lowest in the world. At this pace it is estimated that in less than ten years there will not be enough young people to replenish the labor force, and one-third of the current universities will be forced to close. This implies that the financial burden of Taiwan's universal health insurance will soon become increasingly unbearable and the retirement benefits for public-sector employees will soon bankrupt the government—unless they are trimmed back, and soon. Furthermore, the Ma Ying-jeou administration was called upon to deal with these thorny issues in the context of global financial turmoil, slower economic growth and deteriorating fiscal

health. So most of the necessary "reforms" involving sacrifices, hard choices or bleeding trade-offs are intrinsically unpopular. In a sense, Ma Ying-jeou is the first elected president since Taiwan's democratization to confront the politics of belt-tightening.

Third, after years of sluggish economic growth and a series of sweeping tax cuts under DPP rule, the government's fiscal health has steadily deteriorated. By the end of 2008, tax revenue made up only 13% of the GDP and the government had to raise additional income equivalent to 10% of GDP through borrowing, collecting fees and fines and selling off state-owned assets. When the DPP assumed power in 2000, the central government's total outstanding debt (a narrow definition of accumulated national debt) was less than 24% of GDP. By the time Chen Shui-bian left office, the ratio had jumped to 35%. If one takes into account the government's legal liabilities for the three public-sector pension schemes—civil servants, military personnel and teachers—the broad definition of national debt has already approached 72% of GDP. Thus, Ma Ying-jeou inherited a government with very little spare capacity to borrow and spend. Furthermore, the Ma administration also inherited quite a few headaches that had been swept under the rug for too long. For example, the Universal Health Insurance had run a deficit for many years due to a politically expedient freeze on monthly fees. The government-owned Taiwan Power had suffered a huge loss over several years due to a freeze on electricity rates, despite the rising cost of imported oil and natural gas. In a sense, the DPP government handed over not just one but many hot potatoes for Ma Ying-jeou to wrestle with.

When the Ma Ying-jeou government took over in 2008, his economic team initially hoped that it could refurbish Taiwan's fiscal health over time by revitalizing the economy through measures such as restoring business confidence, liberalizing trade, normalizing cross-Strait economic exchange, and opening the door to mainland

Chinese tourists. But the onslaught of the global financial crisis in late 2008 seriously disrupted if not derailed these efforts to rejuvenate the economy. Instead, the Ma government was forced to adopt a series of short-term emergency measures and a large stimulus package to stabilize the economy and safeguard the banking sector. Most of these measures further damaged fiscal health, at least in the short run. The business community was successful in attaching two controversial tax cuts to the overall economic stabilization package: cutting the corporate income tax rate from 25% to 17%, making Taiwan's rate the lowest in East Asia, and drastically reducing the top bracket of inheritance and gift tax from 40% to 10%.

Two other major decisions announced during Ma's first term are also expected to drain the government's fiscal resources over the long run. The first is the decision to end conscription and turn the military into an all-volunteer force by 2016. The second extends compulsory free education from 9 to 12 years. These two major decisions, which could be justified on other grounds, promise to make the politics of belt-tightening even harsher. Last if not least, the Ma administration also put off many painful decisions until his second term, such as price hikes for electricity, an increase in health insurance fees, and cutbacks in retirement benefits for public-sector employees and military personnel. As a consequence, even before his second inauguration, Ma Ying-jeou seemed doomed to become a very unpopular second-term president because his administration would have to bring many pieces of bad news to the public, not least to his key constituencies.

### Institutional Constraints

Throughout his first term, Ma Ying-jeou's presidency was handicapped by three sets of institutional arrangements. The first set empowered the DPP to wield



considerable bargaining power (much larger than its nominal share of the LY seats might suggest) over the legislative agenda and to enjoy a lot of leeway in exercising obstructive tactics to strangle the KMT government's major initiatives during the legislative process. In the end, as explained below, the Blue Camp's nominal three-quarters majority in the LY turned out to be a mockery. The second set empowered the Speaker of the LY, the KMT LY Caucus and maverick KMT LY members to pigeon-hole or tinker with all major legislative proposals proposed by the Cabinet at will. The pendulum of political power has swung so decisively toward the legislative branch that it has rendered the so-called "unified government" (with Ma Ying-jeou's concurrent occupation of both the presidency and the KMT chairmanship) largely an illusion. The third set discouraged the bureaucrats from being proactive, stopping the bucks and taking up responsibilities while strangling civil servants with cumbersome accounting rules and personnel regulations as well as multiple layers of horizontal accountability.

Being the permanent minority in the LY, the DPP has developed over the years a rather effective strategy to maximize its influence over the legislative agenda. First, they have successfully pushed for a peculiar mechanism of so-called "party caucus negotiation system" (PCNS), which was formally built into the parliamentary procedures since 1999. Any political party or coalition with three or more seats in the LY can form a party caucus.<sup>6</sup> Each party caucus can send two representatives to the "closed-door" negotiation meeting convened by the Speaker.<sup>7</sup> Any party caucus can make a request to send any pending bills or amendments to this negotiation process and take them out of the committee stage. Any party caucus attending the negotiation process can delay any bills for at least one month. In most cases, the Speaker will seek consensus among representatives of party caucuses rather than declaring "a breakdown" of the bill under negotiation. All party caucuses are obligated to make

sure that the legislative proposals and amendments coming out of negotiation meetings have a smooth second and third reading on the floor. Only the bills and amendments that were declared “a breakdown” will then be transferred back to the full assembly for a showdown along party lines. The Speaker customarily has cajoled the KMT caucus to seek compromises with the DPP caucus and other minor parties to avoid a showdown on the floor. This has enabled the DPP to have a substantial voice in crafting of most of the legislative bills and amendments to the budget bills passing through the LY, even though it controlled less than a quarter of the LY seats during Ma’s first term.

Many political observers found it very curious that the KMT caucus was willing to restrain itself from seeking “the tyranny of majority” that is so common in most parliamentary systems. This is largely because the DPP always threatens to use disruptive tactics to strangle bills that it vehemently opposes.<sup>8</sup> Yet the Speaker always refuses to take disciplinary measures against the opposition members for using mischievous and unlawful tactics to paralyze the legislative process. This passivity makes the DPP’s threat a rather credible deterrence. Unless the great majority of the KMT caucus is willing to pick a fight—a real fist-fighting match on the floor of parliament—the KMT cannot have the final say on any controversial bill. In most cases, the KMT LY members are reluctant to go down this unpleasant and ugly route. On a few occasions when both the KMT government and the KMT caucus were desperate to have some bills passed, the Speaker would ask the KMT caucus to form a human shield guarding the podium from attack by the opposition and strike down the gavel in the midst of a tumultuous shouting match.

It is also a big puzzle to many outsiders why a speaker elected by the KMT majority would simply forego his disciplinary authority, thus shifting the power balance in the LY decisively in favor of the opposition while preventing his own party

from implementing the will of the majority of Taiwan's electorate. Further puzzling is why most KMT LY members chose to re-elect this speaker repeatedly and why Ma Ying-jeou as the chairman of the party kept putting up with him for so long.<sup>9</sup> This puzzle calls our attention to the pivotal role that Mr. Wang Jin-Pyin, who was first elected as the Speaker in 1999, has played during the post Lee Teng-hui era and his complicated relationship with Ma Ying-jeou.

Wang Jin-Pyin has been Ma Ying-jeou's longtime political rival within the KMT. He ran against Ma during the open-field contest for party chairman in 2005 and suffered a humiliating defeat. However, he has emerged as the second most influential political figure next to the president by significantly shifting decision-making power to the legislative arena and maximizing the power of the LY speaker. Most of the peculiar parliamentary rules and conventions that were introduced since 1999 were tailor-made for him and his followers in the LY. He was the key driver behind the adoption of the "party caucus negotiation system", which gives the speaker enormous power in setting the legislative agenda and schedule as well as in crafting the final version of each piece of legislation. Every premier and most members of the cabinet feel compelled to flock to his office for help whenever they have an important bill held up in the LY. He invented the convention allowing the LY members to attach a ridiculous number of strings and free-riders to the budget bills. Another new convention that was designed to empower individual legislators has been the rampant and indiscriminate use of the motion to impound (instead of slashing) a substantial part of the budget of a given ministry by an LY standing committee (usually initiated by two or three LY members). Under LY-imposed impoundment, the targeted ministry can only use a portion of the approved budget to sustain the essential functions until the responsible LY committee lifts the impoundment, which often means by the time the private demand of some unruly LY members are partially

satisfied. These conventions give every member of the LY, KMT and non-KMT alike, a potent weapon to blackmail individual ministries. Speaker Wang has also helped foster a highly questionable convention that empowers the LY standing committees to pass binding resolutions (without going through the full chamber) to tie the hands of the ministries under their respective purview. This implies that it takes only three or four strong-minded LY members to dictate to a ministry. Over the years, it has become a common practice for individual LY members to play the role of power broker by summoning senior officials to their LY office at will. Ma Ying-jeou and his premier were politically too timid and feeble to either draw a line or to challenge these unconstitutional conventions in the Constitutional Court.

At the same time, Speaker Wang has steadily consolidated his own political base among the LY members to ward off any potential challenger. The DPP has been grateful to him for his leniency toward its mischievous tactics and for his skills in brokering political compromises. He has been overtly responsive to any member of the LY who knocks on his door and asks for a favor, either legal or otherwise, and he has thus collected numerous IOUs from both sides of the aisle. His power has become increasingly entrenched as he gingerly uses the enormous discretionary power and indispensable mediating role of the speaker to exchange favors with business elites, academic elites, influential mass media commentators and all manner of weighty political figures and prominent political families across party lines.

Speaker Wang has shown a remarkable, prolonged ability to exercise delicate balancing acts between colliding interests among all stakeholders. From the beginning, he has not made life easy for the Ma Ying-jeou administration, yet he has also never pushed the envelope of his independence too far. While President Ma and his cabinet were very frustrated by Speaker Wang's ambiguous and unhelpful role, they never mustered the nerve to confront him in a political showdown, probably out of fear of

an open split in the KMT. As a result, steering the legislative agenda has become a daunting challenge for the Ma Ying-jeou administration. At the end of the day, it has become impossible to predict what kind of final decision would come out of this bizarre legislative grinding machine, as there are too many chefs with different hidden agendas and decision-making power has become much too dispersed.

Last but not least, the steering wheel of the state bureaucracy has also become too slippery to handle. By the time Ma Ying-jeou took office, his administration inherited an economic bureaucracy that had lost much of its prestige, forward-looking vision, interventionist propensity, and steering capability. Long gone was the day when the government was equipped with a full array of policy instruments and able to chart the course of industrial upgrading. Instead, after witnessing two rounds of power rotation and endless political bickering between the Pan-Blue and Pan-Green camps, most senior and middle-ranking civil servants have quickly learned to stay passive and cautious. The political calculation of their appointed superior is always beyond their grasp. They protect themselves with rigid interpretations of relevant statutes and regulations and whenever in doubt they pass the buck to other agencies or the superior asking for written clarification or instruction. At the same time, their morale has become extremely low as they have been overburdened by one layer of internal control mechanism after another.

During the tumultuous years of polarized conflict between the KMT and the DPP, each camp has tried to upstage the other, imposing ever more stringent rules and regulations to show off their resolve to fight corruption and abuse of power. Each camp initiated one after another set of new standard operating procedures or restrictions after each incidence of embezzlement, falsified documents, or bribe taking. At any given ministry today there are numerous internal and external oversight agents watching over the shoulders of the civil servants – the ministry's own internal

accounting department, the civil service ethics department, the Justice Ministry's Agency Against Corruption, the Bureau of Investigation (also under the Justice Ministry), inspectors from the National Audit Office, members of the Control Yuan, and LY members. These overlapping agents of external supervision and tedious regulations for internal control have propelled most civil servants to develop a new survival instinct – the resolve that one cannot be overcautious. Consequently, it has become the case that to advance any major policy objective most ministers or vice-ministers have had to pull off the show themselves, like solo jugglers keeping many balls in the air, with little independent initiative or support from senior civil servants.

### The Poisoned Social and Political Soil

The most difficult challenge for the Ma administration is how to navigate through a highly turbulent, volatile and polarized social and political climate. Over the last decade or so, Taiwan has acquired all the elements of an ungovernable society. First, there is a total breakdown of trust and mutual respect between the two contending political blocs, the so-called Blue and Green camps. Their mutual hostility has burned down all the bridges and ruined even a facade of civility and courtesy. Now, the rules of political engagement amount to nothing but mutual strangling and annihilation. Democratic norms and legal procedures are easily twisted or ignored for the sake of partisan gain.

Second, the steady ascendance of the legislative over the executive branch has fed individual lawmakers' growing appetite for propelling their own legislative agenda and extorting various government agencies for political gravy. The two mutually reinforcing trends have created a fertile soil for the mushrooming of fat cat

political lobbyists and single-issue interest groups. Business tycoons and trade associations have been keen on "adopting" their own LY members through political donations to safeguard their interests, and whenever possible, to engineer tailor-made tax loopholes or favorable regulatory clauses. Rarely can a government-sponsored bill stay largely intact going through this grinding machine. Thus, the political system has become infested with veto-players and the decision-making process has become highly fragmented. At the same time, leaders of social movements and NGOs have become increasingly frustrated as they are largely locked out of this horse-trading process behind closed doors. These developments have in turn driven socially and economically disadvantaged groups to take their grievances and demands to the street, with their mobilizing capability enhanced by social media.

Third, most print and electronic media are either blatantly partisan or excessively sensational. Especially after the Hong Kong-based *Apple Daily* entered the local media market and carved out a big share about ten years ago, all media has become addicted to tabloid journalism, or become more or less Apple-like. Under the suffocating pressure of a shrinking advertising market and saturated competition among eight 24-hour cable news channels (on an island of 23 million people), all TV channels now try to outcompete one another with vulgarized, sensational, and irresponsible "news" reporting and commentary based on half-truths, speculation and rumors in order to grab the viewers' eyeballs for a few minutes. The most cost-effective programs, due to their low overhead, are political talk shows. Each of these retains a few pundits, the so-called "famous mouths" in Chinese, who pretend to be jacks-of-all-trade, able to comment on any subject matter at any time. These "famous mouths" are prone to dramatize the political news, blow things out of proportion, and even make up imaginary "conspiracy theories".

Meanwhile, the explosion of social media has turned out to be a double-edged

sword. On the one hand, it has expanded and enriched the public space, undermining the power of traditional mass media driven largely by commercial interests or media tycoons' personal political agendas. On the other hand, it has opened the floodgates to all kinds of anti-democratic, chauvinist, or racist viewpoints and hate messages from a vast array of irresponsible bloggers hidden behind the veil of anonymity. With these "famous mouths" and irresponsible bloggers dominating the media space, there is little room for rational public discourse and sober evaluation of expert opinions. These media dynamics have also helped to drive a deeper wedge between political camps, as they act like shouting audiences with an insatiable appetite for blood in an arena of death worthy of the Roman Empire.

#### By Way of Conclusion

In this turbulent and volatile sociopolitical environment, and under the prevailing institutional constraints, the politics of free trade and of belt tightening have been playing out in a rather disappointing way during President Ma's first term and the beginning of his second term. Ma's agenda for speeding up the free-trade agreement negotiations with mainland China and neighboring countries has encountered many roadblocks and moved forward at a frustratingly slow pace. The government was not able to foster a cohesive pro-free-trade coalition, nor could it placate the potential losers with material side-payments or moral persuasion. Instead the government has been vulnerable to and even taken hostage by the various and often conflicting demands from all sorts of sector-based interest groups and their surrogates in the LY. In the end, the government has settled for low-quality free trade agreements that cover only a limited range of products and sectors. This approach of seeking the lowest common denominator has so far allowed Taiwan to pick up the low-hanging fruit, such as the FTA negotiations with mainland China, which is willing to make



unilateral concessions out of political calculation, and Singapore and New Zealand, which do not exert much competitive pressure on most Taiwanese producers. But this approach will certainly not get Taiwan through the much tougher negotiations under the Transpacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), or those with much more demanding trading partners, such as India, Indonesia or Malaysia. Most observers worry that Taiwan's competitive position in international trade is steadily deteriorating; as South Korea has successfully concluded FTAs with the United States and the EU over the last few years, Taiwan's quest for freer trade has inched forward at a much slower pace.

Facing a looming fiscal crisis and an alarming demographic trend, the Ma administration has also been unable to foster a social consensus over tax reform and burden sharing. Instead, the politics of belt tightening has played out like a race to the bottom. The first move to extend the retirement age of hired labor triggered a strong backlash and provoked a popular demand to strip military personnel of many long-running fringe benefits. Then the axe fell on the retirement benefits of public-sector employees. In no time the politics of cutting-back expanded like a whirlpool, drawing in every major category of middle and lower-income groups who were seemingly relatively less worse-off than others. Ironically, at the end of the day the groups who have gotten the lion's share of the economic fruit, such as big business, professionals, executives and engineers in the high-tech industry, real estate developers and speculators, have been left paying meager tax on their incomes and virtually no tax on their capital gains. This unfortunate turn of Taiwan's politics of belt-tightening has made Ma Ying-jeou the most unpopular president since Taiwan's democratic transition.

Last, but not least, sitting on top of an increasingly ungovernable society, Ma's inclination to govern by pundits and polls has made his administration utterly

incapable of exercising leadership at a time when the island is wrestling with so many acute short-term and long-term challenges. This leadership vacuum has only invited more and more single-issue interest groups to assert themselves to protect their own provincial turf or extract narrow political rewards. In the end a weak presidency and an unpopular president have become two sides of the same coin.

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<sup>1</sup> Yun-han Chu, "The Political Implications Of Taiwan-Mainland Economic Integration." *Global Asia*, Vol. 7, No. 1 (Spring 2012)

<sup>2</sup> Faith Hung, "Taiwan-China economic ties to deepen with yuan pact," Reuters, Sept. 7, 2013, <http://in.reuters.com/article/2012/09/07/taiwan-china-idINL4E8K52AE20120907>

<sup>3</sup> Yun-Han Chu, "Coping with the Global Financial Crises: institutional and ideational sources of Taiwan's economic resiliency," *Journal of Contemporary China*, Volume 22, Issue 82 (2013): pp. 649-668.

<sup>4</sup> Taiwan's per capita GDP in term of Purchasing Power Parity (PPP) measure, however, is among the highest in East Asia. According to the IMF, it reached \$39,400 in 2012, higher than that of South Korea and even Japan.

<sup>5</sup> Chen Tain-Jy, "Taiwan's Middle-Income Trap: No Escaping Without Services," *Global Asia*, Vol. 7, No. 1 (Spring 2012).

<sup>6</sup> Before 2005 the threshold was six members, and it was reduced to three after the size of the LY was cut in half to 113 seats.

<sup>7</sup> The negotiation is required by the law to be tape-recorded and subject to public scrutiny. But this requirement has been completely ignored and blatantly violated under the reign of Speaker Wang.

<sup>8</sup> The familiar repertoire includes using a human chain to block the entrance, locking up the Speaker in his private chamber, or tearing down the Speaker's microphone and taking away his gavel. These disruptive tactics have made Taiwan's parliament infamous around the world.

<sup>9</sup> The showdown between Ma and Wang finally erupted around early September of 2013 when Attorney General Huang Shi-min unveiled evidence that Speaker Wang had exerted pressure on senior prosecutors and the Minister of Justice to acquit Ko Chien-ming, the DPP party whip, over a criminal charge of embezzlement. The Special Prosecutor's Office under the Attorney General had sought court approval to bug the phone conversation of Ko during an investigation of a bribery case. The wire-taping operation accidentally uncovered the stunning and revealing conversation between Ko and Speaker Wang with regard to arm-twisting the Justice Minister. This alleged case of "obstruction of justice" prompted Ma to attempt to unseat Speaker Wang by kicking him out of the KMT, and also to strip him of his LY seat as he was elected on the party list. But Speaker Wang fought back by securing a district court's temporary injunction to nullify the KMT's disciplinary decision. While it was very unlikely that the district court's injunction would be upheld by the Council of Grand Justice, Ma in the end threw in the towel as he was under tremendous pressure from Speaker Wang's numerous allies within the party and throughout the mass media. He decided to not to settle the dispute through the Court of Administrative Law but rather to adhere to the time-consuming process of a civil law suit, which is expected to prolong a de facto co-habitation with Speaker Wang. This aborted political showdown frustrated many of his staunch supporters and crippled Ma's presidency even further.