

Why Taiwan's Democracy Matters

For Taiwan and for All of Asia

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Good morning. To those of you who have come from other campuses, welcome to Stanford. And to all of you, thank you for inviting me. Allow me also to congratulate the organizers of this conference. They have put together a remarkable conference and a beautiful, innovative program. I think it's wonderful that you are here engaging this diverse range of issues and—for most of you—celebrating your Taiwanese heritage.

It is something to be proud of. I first visited Taiwan in 1975, when it was still in the middle of its economic transformation, recording remarkable rates of economic growth. As a result of effective government—something that had been sorely lacking when the KMT ruled on the mainland before its defeat in 1949—Taiwan was transformed in the space of two generations from a very poor, agricultural, ethnically torn, and fearful country into a dynamic, innovative industrial economy—and ultimately, during the 1990s, a democracy. It was an extraordinary transformation, what one of Taiwan's leading political scientists (and former foreign minister) Hung-mao Tien called in his 1989 book title *The Great Transition*.

Outside of Europe and the English-speaking states, there are really only a small handful of countries in the world that have made this transition. It is no coincidence that several of them are in Asia—in a previous era, Japan, and contemporaneously with Taiwan, Korea and Singapore. Facing the threat of a communist takeover, the ruling military and one-party

authoritarian elites in Taiwan, Korea, and Singapore realized that if they did not succeed at governing and developing, they would be overrun by communism. That gave them an existential incentive, but the historical context does not diminish the scope of their achievement. Indeed, Taiwan's achievement is even more remarkable when one considers that Singapore, for all its storied wealth and supposedly good governance, remains an authoritarian regime. And South Korea has the advantages of a population twice as large as Taiwan's as well as one of the most ethnically homogeneous populations in the world.

Also, Korea didn't have to worry about being accepted and recognized in the world as a legitimate state. Taiwan's miracle—economically and politically—has unfolded amid the rather unprecedented reality, for such a successful and dynamic state, of a startling recession in its international legal status. By the end of 2003, Taiwan's formal diplomatic ties had been reduced to just 30 states, and in the subsequent three years it lost six more embassies. As China gets richer and more powerful with every passing year, it becomes more and more difficult for Taiwan to compete in the financial and political contest for recognition. With every year, Taiwan has to spend more and more in foreign aid and informal payments just to hold on to what it has left. And that raises the more general set of problems: Taiwan is engaged in a ceaseless struggle for international space and dignity, a struggle that could easily demoralize and even break a lesser country. At the same time, it faces a more and more imposing military threat from across the Taiwan Strait, with now many hundreds of PRC missiles that could reach and devastate Taiwan's cities, ports, and industrial infrastructure.

Despite all of these obstacles, Taiwan stands as one of the most few most successful developing countries of the post-World War II era:

- With Korea and Japan, it is one of only three truly liberal democracies in Asia. No Asian

country has a freer press and a better, more liberal freedom score than Taiwan.

- With only 23 million people it now has the world's 17th largest economy and the 15th largest trade volume.¹
- Outside of the advanced industrial countries (Europe, North America, Australia, and Japan), only three countries have a higher per capita income than Taiwan: Israel, Singapore, and (just barely) Korea.
- In terms of the quality of governance, as measured by the World Bank on six dimensions, Taiwan's scores vastly exceed the averages for any region of the world, except the advanced industrial states.
- In the last 50 years, only a few countries have made the formidably difficult transition from poverty to development. Taiwan is one of those countries.

But Taiwan's miracle is in danger. A big source of danger lies across the Strait.

Mainland China has a population nearly 60 times that of Taiwan. Its economy is now six times larger than Taiwan's, and it is growing twice as fast. The gap in terms of overall economic might will likely continue to widen with every passing year. And with every passing year, the technological gap that is now in Taiwan's favor will steadily narrow. As a result of these two trends, and China's massive investment in its military might, the overall military balance will shift steadily toward the Mainland. This will happen even if Taiwan makes the massive purchases of U.S. arms that the U.S. is encouraging it to do. But if Taiwan has the economic sense not to throw away so much of its precious resources on weapons, then the military balance in favor of Beijing will tilt more rapidly and eventually decisively.

These steadily deteriorating power trends in favor of China are going to be accompanied by three other dangerous trends, one international, one regional, and one internal to the PRC. Internationally, China's growing affluence and power—its emergence, in short, as the next global superpower—will lead more countries to throw in the towel and establish diplomatic relations with Beijing, at the necessary price of breaking relations with Taipei. This is the great fear among many in Taiwan: how does it stand up for itself in a world where few if any states—and none of consequence—formally recognize it as a state. Second is the regional dynamic. As China rises, more and more countries in ASEAN and elsewhere in Asia will fall into its ever-more powerful orbit. Other Asian states will be more and more reluctant to offend the dominant power in Asia. This even seems to apply to the only state other than Japan that has the potential to rival China in power and influence, India.

Finally, there is the internal political dynamic in China. Nationalism is on the rise in the PRC. Even people who do not like the communist party and its leadership of the country—even people who think of themselves as democrats—feel pride in the global power that China is becoming, and in the civilization that precedes it by thousands of years, one of the oldest in the world. Most Chinese also feel that Taiwan is an inalienable part of China, and they are disposed to be responsive to alarmist reactions against any effort to “split” the motherland. As you know, there is a bitter history of outside forces intervening in China, dividing China, and keeping it down. Chinese of many different political orientations share in the sense of humiliation at this past and in their resolve to see China become a great power.

Of course, many Chinese—I suspect a very significant segment of intellectuals, professionals, and even some in the business class—have a very different vision than the

Communist Party of what national greatness would entail. They believe that ultimately, if China is to become a great and good country, it must be a democracy and a free society. As China becomes richer, more educated, more pluralistic, and more internationally integrated, these demands for democracy will grow. Access to information will grow, despite the intensive efforts of the Chinese state to control the airwaves and the Internet. Power will shift from the state and the party to private business and a nascent civil society. This period—in which China gradually enters a middle stage of development—has now begun. If China's economy continues to grow rapidly, not at its current annual rate of 8 or 9 percent but cooling down to a still very robust 7 percent, say, then it will have (by the estimate of Henry Rowen, an economist at Hoover and Stanford) a per capita income in 2015 equal to that of Mexico and Malaysia today—and higher than South Korea's at the time of its transition to democracy in 1987. Assuming 5 percent annual economic growth in the subsequent decade, then by 2025, China would have a per capita income equal to that of Argentina and Poland today—and Rowen predicts that it will be a democracy by then.

There is no way that China can have this kind of economic growth and social transformation of educational levels and individual capacities and resources without significant political change. The Chinese state and single party simply will not be able to control and dominate society as they do today—and today they have nothing like the control they had in the totalitarian era of Mao. What happened in Korea and Taiwan figures to happen on the Chinese Mainland. As income, education, and access to information rise, people's values and expectations about politics will change. In fact, that value transformation is well underway. Between 1993 and 2002, levels of support for democratic values increased significantly in

Mainland China, even though they remained well below the levels in Hong Kong and Taiwan. For example, the percentage of Chinese agreeing with statement, “Government leaders are like the head of family, we should all follow their decisions,” fell from 73 to 53 percent. Those willing to let “morally upright leaders... decide everything” fell from 70 to 47 percent. Those saying judges should accept instruction from the executive branch in deciding important cases fell from 64 to 45 percent. All of this in the space of just a decade. By 2002, these levels of rejection of authoritarian values were not much different from Taiwan in the mid-1980s, shortly before it began its democratic transition.² Moreover, the individual attribute most powerfully associated with support for democratic values in China is level of education. As the Chinese become more educated, they will continue to become more supportive of democratic values.³

Now, so far all of this sounds wonderful. China will keep growing economically. People will gradually become more democratic in their values. As in Taiwan during its process of economic and social transformation, the ruling Leninist party in China will be forced to open up, reducing political constraints and gradually phasing in competitive elections until, eventually, the system becomes a democracy. That is the good scenario, the soft landing if you will from dictatorship to democracy. If China lands softly, it may not come down on Taiwan. Gradually, a country that is preoccupied with managing its own internal transition and its own rise to world power status will come to terms with Taiwan democratically, work out some face-saving arrangement for loose association, and let the wounds of the past fade.

But what if the Chinese Communist Party panics on the way to this sweet outcome? What if a deeply corrupt ruling party realizes—as in fact it already does—that democracy will

bring its fall from power? After all, the Communist rulers are not stupid. They have looked across the Strait of Taiwan. They have looked at Russia. They have looked at Mexico. They have seen what happened (not long after the transition) to once-hegemonic parties in Taiwan and Mexico that had been ruling about as long as the Communist Party of China will have ruled by the time it faces this challenge. Will the Communist Party elite simply go quietly into that good night, taking the enormous personal wealth and corporate power they have corruptly accumulated for themselves, their children, and their cronies? Or will they fight to hang on? There is good reason to believe they will fight to hang on, to resist the demands for democracy, or to manipulate the superficial framework of democracy to remain dominant in elections for some time to come. Faced with this challenge, what will be their appeal to the Chinese people, a people increasingly aspiring for democracy and fed up with the widespread corruption and power abuses of Communist Party domination? If history is any guide, the one thing that a decaying ruling party is most likely to cling to in this dangerous, desperate period is nationalism. And no nationalist card will play more readily and emotively with the Chinese people than Taiwan. If Taiwan continues to press out the boundaries of its separate identity, the showdown may come sooner. But even if it simply resists the demands of an increasingly powerful Mainland for a resolution of the “divided China” problem, Taiwan may easily become a tool for the Chinese leadership to enhance their fading popular legitimacy, to marginalize rising internal democratic opposition, and to divert attention from the Chinese people’s frustrations. If you think this can’t happen, ask the people of the former Yugoslavia. As the political scientists Edward Mansfield and Jack Snyder show, democracy may bring peace (with other democracies), but the process of getting to democracy is often associated with violence, both between states and within them. I think their argument is somewhat overstated, but it is hard to deny the evidence that when

authoritarian regimes are decaying, both established elites and rising challengers may turn to nationalism and ethnic prejudice in the scramble for political advantage. In short then, the decay of the communist regime will open up possibilities for democracy in China, but it could also create new and very serious dangers for Taiwan.

Now add another consideration. Suppose that China does not sustain vigorous economic growth. Suppose the contradictions in China's current model of development catch up with it. In the view of some astute scholars of China, there is a dark and vulnerable side to China's boom. It is the emergence of what Minxin Pei, a native of China and senior scholar at the Carnegie Endowment for International Peace, calls a "a decentralized predatory state." By this assessment, the interests of the party and state elite are not any longer to keep the economic boom going until China becomes rich and developed, but rather to get as rich as possible themselves, and as fast as possible. The result is a "low quality" of economic growth, unsustainable because it "is achieved at the expense of rising inequality, underinvestment in human capital, damage to the environment, and pervasive official corruption," which is only very infrequently punished.⁴ Many cities and counties have seen organized crime gain so much control of business and commerce, with such collusion and protection from the authorities, that they have become "local mafia states."⁵ Pei documents more than 50 such cases across more than half of China's provinces. Local rulers prey on poor peasants with illegal taxes and fees and then sell off their land for lucrative developments, provoking widespread tax resistance and tens of thousands of protests every year.⁶ A 2006 government report "claimed that over 60 percent of recent land acquisitions for construction were illegal."⁷ President Hu Jintao has launched some high-profile crackdowns, but these have been selective (to neutralize rivals) and fail to approach the needed scale. Pei and other critics predict that the system will be unable to correct itself in

more than superficial ways; sooner or later it will succumb to “the self-destructive dynamics found in nearly all autocracies: low political accountability, unresponsiveness, collusion and corruption.”⁸

Viewed from this perspective, China is trapped mid-way in its transition (and that in fact is the title of Pei’s book: *China’s Trapped Transition*). In Pei’s view, China lacks the institutional means or the leadership vision and will to complete its transition to development and a rule of law. Before long, the pathologies will begin to slow economic growth, intensify popular discontent, and further erode the legitimacy and capacity of the state. Pei does not anticipate the fall of communism any time soon. Rather, the system could remain “trapped in prolonged economic and political stagnation” for some time to come, before it ultimately collapses “in the political equivalent of a bank run” if it is not more fundamentally reformed.⁹

Now suppose that political panic unfolds. Or suppose—as Bruce Gilley envisions in his important 2004 book *China’s Democratic Future*—that there is some kind of more sudden disaster which triggers mass demonstrations. It could be a dam bursting, wreaking massive human casualties and displacement. It could be another kind of environmental disaster. A third of China’s land is severely eroded, while three-quarters of its lakes and half its length of rivers have been polluted. It could be a new health crisis, like the SARS crisis of 2003 but on an even larger in scale, and even more poorly managed. It could be a series of demonstrations over the theft of local land by party bosses or the desperation of 120 million rural migrants looking for jobs in the cities. It could be a financial scandal or a market crash.

Faced with a national uprising like the protests that began in Tiananmen Square in 1989—only this time with a much larger, more resourceful, and better networked civil society—

what will the Chinese Communist Party do to save itself? Do not underestimate the possibility that it will provoke or seize upon a crisis with Taiwan to, in one way or another, seize the island or force it to capitulate. And do not assume that the United States will have the will or ability—especially on short notice—to prevent it. I have long assumed that we would. But the American people, soured on military operations by the debacle in Iraq, may have other ideas. Last year, a poll of the Chicago Council on Foreign Affairs found that only a third of Americans favored the use of American troops to come to Taiwan’s defense if the island were invaded by China. Moreover, the longer we remain in Iraq, with our military capacity and national morale being steadily drained in the process, the weaker and less credible is our ability to project power elsewhere in the world, and the longer it is going to take us to recover the military and geopolitical standing we once had—if indeed we ever do recover.

Having laid out these parameters of past and possible future development in the region, let me come to the point in the title of my talk. The next two decades are going to be a very interesting but also very dangerous time for Taiwan, for Asia, for the United States, and more broadly for the world, in managing China’s rise and also China’s stresses. I believe this is going to be one of the two most important challenges in the next two decades for U.S. and international security. (The other is the one we are now almost exclusively focused on, the Middle East and the related problem of Islamic alienation and extremism).

Taiwan is not now and will not be simply an object of pressure or desire. It can also shape the possibilities for political evolution in Mainland China, and the way China’s ruling elites and the broader society view it. I have always had a strong streak of sympathy for citizens of Taiwan who believe that Taiwan should be able to be an independent sovereign country,

separate from China. Detached from historical and geopolitical realities, there is a strong moral case to be made for that. And it is affirmed by what Taiwan has achieved as a separate economy, society and political system for the last 60 years. But we do not live in such a detached world of moral abstractions. We live in a world embedded in conflicting historical imperatives and grievances, and in disparities of power that need to be managed or accommodated. These realities do not require Taiwan to simply submit at some point to Communist Chinese demands for reunification on their terms. But the course on which Taiwan has been embarked for the past decade—moving gradually from recognizing a vague principle of “one China” to implementating the symbols and legal instruments of a permanently separate statehood—is not sustainable. (And I say this as someone who admires Taiwan and cherishes what it has achieved.) First under President Lee Teng-hui, after his direct election to the presidency in 1996, and then for the past seven years under President Chen Shui-bian, Taiwan has taken a number of steps, some small, some more noticeable (and some quite clearly meant to be noticed) to transform its status from a Republic of China with aspirations (however symbolic) to govern all of China to a Republic of China that no longer has any legal, theoretical, or practical interest in anything but Taiwan. The strategic assumption of Presidents Lee and Chen has been that if this transformation was effected gradually enough, in sufficiently small increments, no one increment of change would be dramatic enough for China to want to incur the enormous risks of military intervention or confrontation. So far, Taiwan’s leaders have been right. However, in every incremental process there comes a tipping point, the last grain of sand on the pile before it collapses. President Bush did Taiwan a favor by delivering a clear (and by some accounts quite stern) message after the 2004 presidential election that this drift toward Taiwan independence had to stop, that the United States was not going to be dragged gratuitously into a war with

China—and particularly not now, when we are gravely bogged down in the Middle East—just so that Taiwan could call itself “just Taiwan.”

In March of 2008, Taiwan will elect a new president. As in the U.S., the campaign is well under way. The country, as you know, has been polarized between the pan-Blue and pan-Green camps, torn by divisions within those camps, and deeply troubled by the allegations of corruption surrounding the president, his family, and some of his associates. The troubles of democracy well precede these explosive corruption scandals. They have roots in an antiquated constitutional system that has been the subject of repeated, opportunistic partisan political fixes, but never with a comprehensive approach to make a more functional democratic system. They date back to the election of Chen Shui-bian in 2000, and the constitutional crisis over who really had authority to rule, and therefore what kind of system Taiwan really had, presidential or parliamentary. It is ironic, of course, that President Chen’s party, the DPP, which came into power in 2000 insisting that the system was really meant to be presidential—as it had to insist if it wanted to rule, since it had only a minority of the legislature—now is seeking to transform the country constitutionally into a pure parliamentary democracy. And meanwhile, the KMT, with the prospect of winning presidential power, has also reversed its previous constitutional posture.

It has not been a good few years for Taiwan, its economy, or its democracy. If Taiwan is going to meet and manage the challenge of a rising China, and survive what is likely to be a much more turbulent and perilous interaction with the Mainland over the next two decades, its political system is going to have to do better than it has in recent years. Taiwan is going to have

to arrive at a constitutional consensus on the rules of its own political game: how power should be exercised and checked. The competing actors and parties are going to have to treat one another with greater respect and accommodation. They are going to have to make more progress toward fashioning a bipartisan consensus on what Taiwan is as a state and what it aims to be. And that consensus is going to have to be more pragmatic and flexible—flexible enough to permit the resumption of formal dialogue with the Mainland, and the negotiation of direct economic links between Taiwan and the Mainland. Without these links, Taiwan’s economy will fall further and further behind. International capital will not see the attraction and will not want to run the risks of investing anew there. And the flight of Taiwan’s own business talent and capital to the Mainland and elsewhere in Asia (and the world) will accelerate. So this is my first point about why Taiwan’s democracy matters. What happens in Taiwan’s democracy and to Taiwan’s democracy will matter greatly to Taiwan’s future—its ability to revive and thrive economically, and its ability to cope with a rising China. It is not just a matter of the degree of democracy. It is also about the nature and responsibility of democracy—and of the politicians who comprise it.

Second, Taiwan’s democracy is going to matter greatly to Mainland China, and not simply for the reason I have just described. Increasingly, the elites and broader public on the Mainland will be faced with profound questions about what kind of political system China should have in the future. Increasingly, it will become apparent that the current Chinese system has to change. But change to what? It is far from inevitable that the direction of political change chosen in the next two decades will be democracy. If China’s emerging younger elites—and not just the party elite, but a broader circle of business, state, and military figures who exercise different kinds of power—determine that democracy means instability, populism, ethnic

fragmentation, separatist instincts, and thus the breakup of China, they will opt for something else. It could be the Singaporean model of pseudodemocracy, a soft form of authoritarianism with a thin but largely meaningless veneer of multiparty politics. Or, if the economy and the regime fall into deep crisis, it could be something much uglier and nationalistic, more akin to fascism.

It is hard to imagine that elite and mass public opinion about China's political future will not be influenced by the evolution of democracy in Taiwan. For the impact is already evident. Chinese are already watching closely what is happening there. To the extent that democracy in Taiwan moves toward constitutional consensus, institutional consolidation, and political accommodation and moderation, it will become more appealing to the Mainland as a model, a demonstration that democracy can work in a Chinese society. To the extent that Taiwan's democracy remains mired in constitutional deadlock, partisan polarization, political fragmentation, and ethnic division—with Taiwan's own public disillusioned—many people on the Mainland who might have embraced the democratic option will become reluctant to do so, or may even be repelled from it. If only half the public in Taiwan says that democracy is always preferable to dictatorship, if barely half the public thinks democracy is capable of solving the problems of their society, if three of every five citizens in Taiwan think that most or all public officials are corrupt, and if 40 percent of the public is seriously dissatisfied with the way democracy works—what do we expect people on the Mainland to think? These, in fact, were precisely the figures recorded by the East Asia Barometer in a poll in Taiwan last year. They support my argument that democracy in Taiwan is not doing as well as it should, as it can, and as it must.

Finally, there are the regional implications. Unfortunately, Taiwan is not the only Asian democracy in trouble. In Korea—for the fourth successive presidential term since the transition to democracy twenty years ago—the president has been crippled by scandals and a loss of public faith and confidence. In the Philippines, the public opinion indicators of support for and confidence in democracy have declined dramatically in the face of suspected fraud in the last election and ongoing charges of pervasive corruption. In Thailand, the confrontation between a power-hungry but popular prime minister and the country’s military and royal establishment led to a military coup last year. Pakistan has been under military rule since 1999. Bangladesh is now under emergency rule, with elections suspended, as the military-backed government arrests vast numbers of allegedly corrupt politicians. Mongolia is mired in party stalemate, and its levels of public support for democracy have declined the most precipitously in the last few years.

It is hard to find a stronger and more faithful advocate of democracy than me, but we have to face facts here. Democracy in Asia has been performing rather badly in the past five to ten years, and if it does not do better, it will become an increasingly endangered, devalued, and disappearing phenomenon. Democracy in Asia badly needs a shot in the arm right now, a demonstration that it can work to respond to economic and security challenges, to bridge political divisions, to forge a governing consensus, and to produce practical and effective solutions to society’s problems.

There is no intrinsic reason why the demonstration effect of better performance cannot emanate from Taiwan. Look at the miracles that Taiwan has already achieved, and the obstacles it has overcome. Look at what savvy and responsible leadership did in the late 1980s and 1990s to effect the country’s democratic transformation and generate a new global image and sense of national pride.

There is a very heavy historical burden on this next generation of Taiwan leadership competing for the parliament this December and the presidency the following May. These politicians are going to have to forge a new set of understandings and policies, and possibly more effective and viable political institutions as well. They are going to have to find ways of soothing and bridging ethnic and political divisions that have been rubbed raw. They are going to have to craft new strategies to reach out to and deal with the Mainland. And they are going to have to forge policies that will enable Taiwan's economic miracle to revive and adapt in a more fiercely competitive and financially mobile regional and international economy.

I believe Taiwan's democracy can meet this challenge. Whether it in fact does so will not only determine whether Taiwan survives as we know it today, it will also have a huge influence, far out of proportion to the size of this modest island, on the political future of China and all of Asia.

Thank you.

¹ Taiwan Foreign Policy Report, Ministry of Foreign Affairs, 2006/11/2, <http://www.mofa.gov.tw/webapp/ct.asp?xItem=23341&ctNode=1077&mp=6>.

² Gilley, *China's Democratic Future*, p. 69, Larry Diamond, *Developing Democracy: Toward Consolidation* (Baltimore: Johns Hopkins University Press, 1999), Table 5.7, p. 189.

³ Yun-han Chu, "Political Value Change in Hong Kong, Taiwan, and China, 1993-2002." Paper presented to the Conference on Democratization in Greater China," Center on Democracy, Development, and the Rule of Law, Stanford University, October 20-21, 2006.

⁴ Pei, *China's Trapped Transition*, p. 209.

⁵ *Ibid*, pp. 161-165. As in the U.S. and Europe, favored sectors for the mafia include real estate, transportation, and construction.

⁶ *Ibid*, pp. 189, 191-196. The party itself reported a total of 87,000 "mass incidents" in 2005, an increase of over 6 percent from the year before. Saich, "China in 2006," p. 35.

⁷ The figure rose to 90 percent in some cities. *Ibid* (Saich), p. 38.

⁸ Pei, *China's Trapped Transition*, p. 208.

⁹ *Ibid*, pp. 210-212.