

In last year's presidential and legislative elections, the Democratic Progressive Party (DPP) swept to victory with not just the presidency, but the party's first-ever legislative majority. Eighteen months on, despite a slump in the opinion polls, President Tsai Ing-wen's (蔡英文) government has already done three things that should please the public.

First, Tsai has declined to recognize the so-called "1992 consensus," which covertly cedes Taiwan's sovereignty to Beijing. Her government has also managed to maintain peace across the Taiwan Strait and avoided causing irrevocable damage to the cross-strait relationship, while weakening the magnetic pull of China on the nation's economy.

The government has also successfully navigated the Act Governing the Handling of Ill-gotten Properties by Political Parties and Their Affiliate Organizations (政治黨派及其附屬組織不當取得財產處理條例) through the legislature and has begun to deal with the problem of the Chinese Nationalist Party's (KMT) misappropriation of assets. This has given the public confidence in the ongoing process of transitional justice.

Legislators last week then finally passed the Act Governing Civil Servants' Retirement, Discharge and Pensions (公務人員退休、撫卹及 pension 條例). In doing so, the government averted a financial crisis and the potential bankruptcy of the nation's economy.

Although Tsai's insistence on upholding Taiwan's sovereignty has caused China to cut the number of tourists visiting Taiwan, place an embargo on Taiwanese agricultural imports and take other retaliatory measures; and while the government's handling of the KMT's ill-gotten assets and pension reform has caused unrest in political circles; Taiwan's economy is showing signs of recovery.

In the first quarter of last year, the economy contracted by 0.23 percent, then grew by 1.13 percent in the second quarter, 2.03 percent in the third and 2.58 percent in the fourth, while in the first quarter of this year the economy grew by 2.56 percent.

The stock market has been performing even more strongly. On June 27, the TAIEX closed at a 17-year high of 10,513.96 points. Compared to Jan. 25 last year, when the TAIEX slumped to

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Written by Huang Tien-lin 黃天麟

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7,762 points, the index has risen by 35.45 percent, making it one of Asia's top-performing stock markets.

However, warning signs have begun to emerge which require a speedy response.

The first was the Economic Development Council's composite economic growth indicator, which has been recording month-on-month falls in growth since January. April's figure left the economy only 21 points short of losing the index's "green light" rating which signifies "stable growth."

A second is that in the first five months of this year, 214 Taiwanese businesses received approval to invest in China — an increase of 120 percent on the previous year's figure. It appears that Beijing's active infiltration of senior civil service officials sympathetic to the pan-blue camp is beginning to bear fruit, while Beijing's overarching strategy to overwhelm Taiwan's smaller economy and integrate it into its own is yielding results.

Another aspect to the flurry of investment in China is that domestic investment is severely lacking. Private sector investment growth is only 1.95 percent. Beijing is keenly aware that the cross-strait stalemate is beneficial to Taiwan's economic recovery.

In an attempt to reverse the situation, Beijing has changed tack and ditched its former strategy of targeting the "three middles and the youth"; residents of central and southern Taiwan; middle and low-income families; small and medium-sized enterprises; and young people.

In its place is the "one generation, one line" strategy, which focuses on the younger generation and the grass-roots "front line."

There is no difference between the two: both slogans are clear statements of intent that China is infiltrating Taiwan's economy and will continue to do so.

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Now that pension reform has passed the final legislative hurdle, the government must address the dual problems of sluggish inward investment and China's infiltration by drawing up an "anti-infiltration special law." In addition, an even more pressing need than transitional justice is for the nation to undergo a program of "economic transitional justice."

This means transitional justice for domestic investors treated unfairly by the previous KMT government, which gave excessive preferential treatment to Taiwanese businesses operating in China, and transitional justice for domestic investors left disadvantaged by the KMT's preferential treatment of foreign investors in the stock market.

The government should immediately enact legislation that provides genuine incentives for inward investment by Taiwanese investors, but not Taiwanese businesses operating in China or foreign investors. Only then will it be possible to defend Taiwan against the threat of economic annexation by China.

If the government fails to act now, all it has achieved so far will have been in vain.

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Translated by Edward Jones

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