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TAIWAN FIRST: THE ROLE OF NATIONAL IDENTITY IN PROTECTIONIST
TRADE POLICIES

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COLLEGE OF INTERNATIONAL STUDIES

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Abstract

Taiwan's modern history of rapid economic growth has given the country the reputation as the "Taiwan Miracle". The country's emphasis on economic growth has become a core tenet of the nation's policies and attitudes, both domestically and on the international scale. However, Taiwan's 1996 No Haste Policies, which deeply restricted foreign investment into China, are a notable divergence from the country's historic favoritism towards liberalized economic policies. This thesis seeks to identify what forces were behind Taiwan's No Haste policies implemented between 1996 and 2001 and why these restrictive investment policies were broadly championed by a Taiwanese society that had historically championed all efforts towards economic growth. I ultimately argue that these economic policies were not a function of economic rationalism, but rather a result of Taiwan's growing nationalist movement facilitated through its democratization process. Taiwan's societal memory of atrocity and its newfound ability to redefine its national identity separate from its colonial past fueled the nation's efforts to sacrifice economic wellbeing to protect the nation's ontological security. Ultimately, I find that the restrictions represented Taiwan's attempts to assert its autonomous identity from China.

Introduction

Theories of international relations contend that interactions among states are based on set factors. For realists, the pursuit of capital and power shape state relationships, and the actions of governments can be traced back selfish pursuit of wealth or power.¹ Through this lens, wars and security dilemmas are inevitable components of international relations because states continuously seek relative power over others. Liberal theories of international relations contend that while states do base their interactions with one another on the pursuit of capital and power, states are constrained by their constituents and institutions from engaging in violent acts with other states, thus peace and cooperation can exist between nations.² These theories assume that states have homogenous and fixed preferences.

However, these prominent theories fail to account for the more varied interests and priorities that exist within states today. In examining global conflicts, security dilemmas, cooperative agreements, and alliances, it becomes apparent that both disagreements and partnerships between states are based on a variety of factors outside of wealth accumulation or the pursuit of relative power. In addition, these theories are based on the assumption that national priorities are static. In reality, state interactions

¹ Robert E. Keohane and Joseph S. Nye. "Power and Interdependence" in *Conflict After the Cold War: Arguments on Causes of War and Peace*. (Routledge: New York, 1997); Robert Gilpin. *War and Change in World Politics*. (Cambridge University Press, 1981.)

² Bruce M. Russett and John R. Oneal. *Triangulating Peace: Democracy, Interdependence, and International Organizations*. New York: Norton, 2001.

and relationships shift in their relative strength and nature over time due to changes in preferences.

In order to fully understand interactions between nations, it is important to account for the variety of priorities that states hold at different times, and approach analysis with an understanding that decisions and interactions between states vary in relation to the salience of a variety of priorities to a state's national identity. In addition, proper analysis must account for the willingness of states to pursue simultaneous policy objectives that appear contradictory to one another or even self-harming.

But what priorities outside of physical and economic security do states hold? And what shapes the decision-making process in nations so that economic well-being or physical security are sidelined for other priorities? As globalization makes interaction between states more frequent, significant, and necessary, understanding how and why nations make decisions that appear self-harming is critical, both for creating a more nuanced comprehension of state interactions and for constructing policy solutions to global issues.

Research Question

As an extension of these concepts, this thesis uses the island nation of Taiwan as a case study to understand the ways that decisions which harm economic wellbeing are justified and championed within states. My research question is—What facilitated economic policies within Taiwan that restricted investments into China between 1996 and 2001, and why were these policies championed by Taiwanese citizens, despite the fact that they disproportionately harmed the Taiwanese economy? In presenting

Taiwan as a case study, I hope to explore methods of analysis that can potentially provide a framework for interpreting policy decisions in other countries which defy conventional liberal or realist logic.

Case Study: Taiwan

In 1997, following Taiwan's National Development Conference, the "No Haste" policies were passed with near unanimous support from all sides of the political spectrum. These policies drastically increased regulation of foreign investments into China, Taiwan's top trading partner and largest source of outward FDI. Championed as an initiative to protect national sovereignty, the No Haste policies aimed to reduce Taiwan's dependence on China's labor markets.³ However, more foundationally, I argue these policies represented an attempt to assert national autonomy by a Taiwanese nation that had experienced diplomatic and political isolation due to China's successful attempts to deny the nation its Taiwan's sovereignty.

In choosing to sacrifice economic wellbeing, it is clear that the Taiwanese were prioritizing security of another type. This project will explore *why* the Taiwanese willingly subjected themselves to economic harm, and *what* structural components of Taiwanese society facilitated this. I argue that Taiwan's collective memory of colonialism and atrocity after generations of repression produced the construction of a national identity that demanded primacy in domestic and international policy. I then posit that democratization provided the foundation upon which Taiwan's identity

³ Syaru Shirley Lin. *Taiwan's China Dilemma: Contested Identities and Multiple Interests in Taiwan's Cross-Strait Economic Policy*. Stanford, (California: Stanford University Press, 2016).

movement could operationalize, and finally, I conclude by arguing that the malleable nature of democracy and national identity allow policies and attitudes to shift over time without sacrificing the core tenets of a nation's ontological security.

Background

The history of the Taiwanese people is one riddled with suppression and colonialism. From the 17th century to 1987, the Taiwanese people were successively occupied or controlled by the Dutch, Spanish, Japanese, and the Kuomintang (KMT) Chinese Nationalists. The KMT ruled Taiwan from 1945 until democratization in 1987. Chiang Kai-Shek, the central figure of the KMT, had led the fight against communist leaders in the Chinese civil war, and eventually retreated to Taiwan. Chiang Kai-Shek and his nationalist party claimed authority not only of Taiwan, but Mainland China as well. His regime aimed to eliminate all elements of Taiwanese identity through indoctrination and subjugation. The duration of Chiang Kai-Shek's leadership is often referred to as the White Terror, because Taiwanese elite and dissenters were systematically slaughtered or disappeared.⁴ His death in 1975 initiated the democratization process within Taiwan. In 1986, opposition parties were legalized, and the Democratic People's Party (DPP) emerged in opposition the KMT.

Central to Taiwan's democratization experience was the reemergence of a nationalist movement, whose members fiercely advocated for Taiwan's status as an independent nation separate from Mainland China. Much of the movement was fueled by resentment of the KMT's repressive 42-year martial law.⁵ Mirroring Taiwan's

⁴ Ibid.

⁵ Ibid.

peaceful and quick transition into democracy, Taiwan's economic growth was rapid. Between 1953 and 1990, Taiwan's industrial output as a percentage of GDP grew from 19.7% to 42.3%.⁶ Similarly, Taiwan's level of inequality mirrors that of highly developed European nations.⁷ Frequently referred to as 'The Taiwan Miracle' Taiwan's ascent into a modernized capitalist economy, along with its peaceful democratization make its modern political and economic growth a significant source of study for development economists and policymakers.⁸

Lee Teng-Hui won the presidency in 1988. Despite his membership in the KMT party, Lee's dedication to the Taiwanese people was strong and his commitment to reform was central to his platform. In 1995, Lee gave a speech at his alma mater, Cornell University. In his speech he famously spoke, "Some say that it is impossible for us to break out of the diplomatic isolation we face, but we will do our utmost to demand the impossible."⁹ In addition to advocating for diplomatic recognition, Lee emphasized the Taiwanese people's desire to be recognized as an independent state.¹⁰ The Chinese responded strongly to Lee's comments by sparking the Taiwan Strait

⁶ Tien Hung-Mao, and Shiau Chyuan-Jeng. "Taiwan's Democratization: A Summary." *World Affairs* 155, no. 2 (1992): 58-61. <http://www.jstor.org/stable/20672340>.

⁷ Richard E. Barrett, and Martin King Whyte. "Dependency Theory and Taiwan: Analysis of a Deviant Case." *American Journal of Sociology* 87, no. 5 (1982): 1064-089. <http://www.jstor.org/stable/2778418>.

⁸ Ibid.

⁹ "Cornell University Alumni Reunion," C-Span, June 9, 1995. Accessed December 13, 2017. <https://www.c-span.org/video/?65610-1/cornell-university-alumni-reunion>.

¹⁰ David W. Chen, "Taiwan's President Tiptoes Around Politics at Cornell," *The New York Times*, June 10, 1995. <http://www.nytimes.com/1995/06/10/world/taiwan-s-president-tiptoes-around-politics-at-cornell.html>.

Crisis of 1995. China's missile strikes over the strait sparked global fears of a war between the nations, and struck fear into the Taiwanese people.

While cross-strait economic relations were already precarious, China's military drills led Lee to formulate the National Development Conference (NDC) in order to reformulate cross-strait policy in response to the Taiwan Strait Crisis. The new policies most prominently included intense economic restrictions on Chinese goods and FDI into the Mainland. These economic restrictions, known as the "No Haste" policies, were met with significant support across the political spectrum.¹¹

However, Taiwan's small size and lack of internal markets had historically made China a significant source of Taiwanese investments. In comparison, China's economy has consistently been more diversified. Thus, the No Haste Policies presumably disproportionately hurt the Taiwanese economy. As a state that has prioritized economic growth for decades, these policies contradict professed fundamental Taiwanese values.¹² These restrictions towards China were a sharp departure from all policies directed towards every other nation on the planet. Similarly, these policies were easily implemented without significant opposition from either side of the political spectrum. This departure from established norms signifies that there are other components of Taiwanese identity that are more foundational than pursuit of economic growth and whose significance transcends all forms of party allegiance.

Framework and Scope

¹¹ Lin. *Taiwan's China Dilemma*.

¹² World Values Survey, *Wave 3: Taiwan*, 1995.

<http://www.worldvaluessurvey.org/WVSContents.jsp>

This project differs from state-centric approaches to political economy, in that I adhere to the concept that the state is a reflection of society rather than a separate entity with an agenda disassociated from the polis. This framework is adopted from constructivism, in which international relations is viewed as “social rather than strictly material”.¹³ As an extension of this, my analysis posits that policymaking, identity formation, and democratization are all a function of a socially constructed society, whereby members of a nation constitute their realities via socialization. As an extension of this premise, states interact with one another in the same manner. Behaviors are not a function of cost-benefit analysis, as realists might pose, but of a social structure and the reinforcement of this structure via interactions between states. This approach to understanding political economy between states is more nuanced than realist or institutionalist theory because it doesn’t presuppose a set of rational actions. Behaviors are not a result of exogenous factors, but of endogenous social constraints, conceived of by the state itself.¹⁴ In this way, a constructivist approach asserts that identity and interests are malleable, and adjustments in behavior are a result of a shift in interests.¹⁵

This project will analyze Taiwan’s relationship with China between democratization in 1987 and 2001. I have chosen this time period because it captures

¹³ Alexander Wendt. "Constructing International Politics." *International Security* 20, no. 1 (1995): 71-81.

¹⁴ John Gerard Ruggie. "What Makes the World Hang Together? Neo-Utilitarianism and the Social Constructivist Challenge." *International Organization* 52, no. 4 (1998): 855-85.

¹⁵ Alexander Wendt. "Anarchy Is What States Make of It: the Social Construction of Power Politics." *International Organization* 46, no. 2 (1992): 391–425. doi:10.1017/S0020818300027764.

initial interactions between the two nations after the Taiwanese garnered self-determination via democracy, as well as 2 shifts in economic policy toward China. The project will analyze the No Haste policies developed in 1996, as well as the 2001 election of Chen Shui-bian and resultant liberalization of trade across the strait. This time period is significant because it captures behaviors and rhetoric within Taiwan as its people first began to grapple with understanding their nation's role in relation to China and the globe.

However, examining events within Taiwan prior to democratization is absolutely essential to analyzing behaviors, attitudes, and policies. I will make frequent reference to formative events under KMT autocracy because the Taiwanese people frequently make reference to this time period when justifying behaviors. Memory plays a significant part in the Taiwanese people's conception of their present political and economic circumstances, and it will be a prominent component of my analysis.

Significance

This project leverages theory on ontological security and uses it in a political economy setting. Literature on economic protectionism often accounts for the financial impact of protectionist trade policies or how protectionist investment climates impact economic growth, but little has been done to explore the origins of these protectionist policies outside of economic rationality.¹⁶ By exploring Taiwan's

¹⁶ Réka Juhász. "Temporary Protection and Technology Adoption: Evidence from the Napoleonic Blockade." CEP discussion paper, CEPDP1322. *Centre for Economic Performance* (2004), London, UK.; Robert C. Feenstra "How Costly is Protectionism?" *Journal on Economic Perspectives*. 6, No 3. (1992): 159-178; Jo Jakobsen and G. Jakobsen Tor. "Economic Nationalism and FDI: The Impact of

No Haste policies through an ontological security lens, this project offers insight into the root causes of policies that seem counterintuitive and what motivates individuals to champion them. Ontological security theory accounts for the tendency of states to act in ways that appear self-harming, and thus provides a new perspective in understanding international political economy.

Taiwan's status as a postcolonial state and a highly developed industrial nation make the findings of this project significant for both developing nations and those with advanced economies. As postcolonial nations around the globe grapple with formulating a new state-identity, in relation to themselves, their previous colonial power, and the rest of the world, these states must also configure themselves within the global economy. Despite the nation's 'miraculous' advances over the last 40 years, issues of identity assertion and political economy are central to Taiwan's international and domestic policies. Thus, understanding Taiwan's identity-conceptualization can offer a potential framework for discerning the justification behind the policy-making within other postcolonial, developing states. According to Benedict Anderson, "If people imagined the proletariat merely as a group in hot pursuit of refrigerators, holidays, or power, how far would they, including members of the proletariat, be willing to die for it?"¹⁷ In this way, it is important to understand how political

Public Opinion on Foreign Direct Investment in Emerging Markets, 1990-2005." *Society and Business Review* 6, no. 1 (2011/02/08 2011): 61-76.; Sonal S. Pandya "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century." *Annual Review of Political Science* 19, no. 1 (2016/05/11 2016): 455-75.

¹⁷ Benedict Anderson. *Imagined Communities*. (New York: Verso, 1983).

movements and policies are often a function of values that are significantly more foundational than economic security or physical safety.

In addition, as 21st century populist movements emerge within developed nations with rhetoric similar to that of Lee Teng-Hui's "Taiwan First" agenda, looking towards Taiwan's experience in protectionist policy-making is helpful. If policies and rhetoric are a function of social construction rather than self-evident rationality, then the international community can benefit from identifying the root sources of these movements in order to best address them.

Chapter Overview

This first chapter of this project will begin by looking at theories of economic integration and dependence. It will then compare these theories to the experience of Taiwan post-democratization. Particularly, it will examine Taiwan's restrictive policies towards China following the Taiwan Strait Crisis and the evolution of those policies over time. It will use data on FDI between Taiwan and China to quantify the effects of these policies. The second chapter will examine the role of nationalism and identity conceptualization in forming these economic policies. The third chapter will establish how Taiwan's democratization experience facilitated their distinct nationalist movement, which led to the formation of these identity-preserving policies. Finally, the last chapter will review the role of nationalism and democracy in forming policies that appear self-harming and explore how the evolving nature of identity and public interest allow for oscillating economic policies.

Chapter 1: Economic Protectionism

This chapter will explore theories regarding economic integration between states and situate Taiwan's experience within the global economy since democratization in 1987. It will then examine the implications of the 1996 National Development Conference and the resulting policies that sharply increased regulation of investments into China. It will demonstrate that these policies had a significant impact on the nation's total investments and that the nature of these policies indicate that contrary to some prevailing political economy theory, identity contestation placed a greater constraint on the Taiwanese state than economic security in the aftermath of the Taiwan Strait Crisis. Finally, this chapter will explore Taiwan's shift in economic attitudes towards the PRC in 2001, and offer explanation for the change.

Dependent States

Dependency theory frames smaller, less developed nations as peripheral to the ambitions of larger, more powerful states.¹⁸ The stronger states, referred to as core states, have "strong state machinery coupled with a national culture...[that] serves both as a mechanism to protect disparities within the world-system."¹⁹ The economic power of the core states provides them with the ability to maintain the disparities between dominant, core states and periphery states. Within the world economy, periphery states lack the occupational skills and the ability to capitalize on resources in

¹⁸ Immanuel Maurice Wallerstein. *World-systems Analysis: An Introduction*. Durham: Duke University Press, 2004.

¹⁹ Immanuel Maurice Wallerstein. *The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*. New York: Academic Press, 1976, 229-233.

order to challenge the world system.²⁰ According to Wallerstein, this disparity between core and periphery states is relatively static because core states have the power and ability to sustain their dominance and “the forces of the marketplace reinforce rather than undermine them.”²¹ In these frameworks, relative economic superiority is the primary determinant of political relations between nations. In addition, dependency theory heavily relies on the presumption of social structures within individual states, which perpetuate inequality and drive the means of production within these peripheral and semi-peripheral states. In this frame, capital is the sole determinant of interactions between societal classes within a state.

But this theory fails to capture both the nuances of nation-states as structures and the function of state relationships within the global economy. The presumption that capital is consistently the primary determinant of relationships between developed and underdeveloped states is inaccurate. Dependency theory fails to account for the variety of axes upon which states define their relationships, particularly national identity. In addition, whether or not state-sponsored economic actions are driven by financial selfishness, dependency theory fails to consider that economic interactions between states aren’t always exploitive, and that “economic investment is not a zero-sum game.”²² Finally, this theory fails to see that economic relations aren’t always an end in themselves, but can also function as means to an end.

Taiwan as a Dependent State

²⁰ Ibid.

²¹ Ibid.

²² Richard E. Barrett and Martin King Whyte. "Dependency Theory and Taiwan: Analysis of a Deviant Case." *American Journal of Sociology* 87, no. 5 (1982): 1064-89.

Taiwan's location, colonialist experience, and lack of natural resources make it appear as a quintessential case study for dependent states. However, despite its characteristics, Taiwan's economic development and deviance from dependency theory has often earned it the title as the "Taiwan Miracle". Shortly after World War II, Taiwan began receiving large quantities of foreign aid from the United States in order to support the island in defense efforts and to improve the post-war economy.²³ During this time period, the nation's economy grew significantly and shifted from mainly agrarian exports to manufacturing exports.²⁴ In addition, a significant land reform program allowed the Taiwanese tenant farmers to own their own farms through government loans, instilling the prevailing tradition of strong property rights within the island.²⁵ Despite the KMT's repressive governance style, their focus on economic growth helped propel Taiwan into a nation with a highly advanced economy by the 1970s, with a gini coefficient similar to that of highly developed European nations.²⁶

Taiwan's mode of economic growth, along with the other Asian Tiger economies—South Korea, Singapore, and Hong Kong—differ from the liberal tradition of economic growth.²⁷ These economies have advanced in the global economic sphere through their high savings rates and an export economy. The Asian

²³ David W. Chang "U.S. Aid and Economic Progress in Taiwan." *Asian Survey* 5, no. 3 (1965): 152-60.

²⁴ Kerry Brown, Justin Hempson-Jones, and Jessica Pennisi. *Investment Across the Taiwan Strait: How Taiwan's Relationship with China Affects its Position in the Global Economy*. November 2014.

²⁵ Chang, "U.S. Aid and Economic Progress in Taiwan."

²⁶ Barrett and Whyte, "Dependency Theory and Taiwan"

²⁷ H. Shie Vincent and D. Meer Craig. "The Rise of Knowledge in Dependency Theory: The Experience of India and Taiwan." *Review of Radical Political Economics* 42, no. 1 (2010/03/01 2010): 81-99.

economic model is founded on Confucian principles, where societies value posterity over immediate gratification and work for their families and their honor, rather than for themselves as individuals.²⁸ The success of these countries outside of the typical structural processes of development insinuates that a country's ability to create economic growth is not dependent on external predetermined factor endowments and that growth is not strictly linear.

An integral component of dependency theory is that resource inequality between nations perpetuates dependency and threatens the sovereignty of the smaller state. Taiwan does lack the variety of natural resources that China possesses, but since the mid 20th century, their economy has grown tremendously, based on non-natural-resource commodities, including technologies and services.²⁹ In addition, while Taiwan's sovereignty has been of significant contestation, this has not prevented the island from garnering international support—even if unofficial. While the Chinese have led efforts to deny Taiwan's diplomatic recognition and vetoed all efforts to introduce a separate Taiwanese state into the UN, The U.S. provided support to Taiwan during the 1995 missile crisis by providing weapons and defense systems.³⁰ Similarly, Taiwan has quasidiplomatic with numerous other Western powers, through its 20 diplomatic missions.³¹ These missions function as embassies, where the heads of

²⁸ Kazimierz Z, Poznanski, "Confucian Economics: The World at Work," *World Review of Political Economy* 6, no. 2 (2015): 208-51.
doi:10.13169/worlrevipoliecon.6.2.0208.

²⁹ Thomas Gold. *State and Society in the Taiwan Miracle*. New York: Armonk, 1986.

³⁰ Barrett and Whyte, "Dependency Theory and Taiwan"

³¹ Erik Pajtinka. "Between Diplomacy and Paradiplomacy: Taiwan's Foreign Relations in Current Practice," *Journal of Nationalism, Memory and Language Politics*. 11, no. 2 (2017): 39-57. <https://doi.org/10.1515/jnmlp-2017-0003>

the missions are referred to as ambassadors. One of these missions is also stationed in Geneva, Switzerland and functions as Taiwan's mission to the World Trade Organization. This indicates that state leaders might hold allegiance to the PRC out of economic necessity, but their verbal commitment to China has not kept the Taiwanese state from being fully incorporated into the global economic system.

Similarly, Taiwan might be viewed as the archetype for a dependent state because the Chinese have made repeated efforts to ensure Taiwan becomes more dependent upon China in order for Taiwan to succeed economically. This is most notably seen in China's special economic zones along its southern coastal boarder, where Taiwanese investors face more favorable tax climates.³² In addition, although the Chinese have insisted within international trade and climate change agreements that the PRC is in fact not a developed country, the size of its markets and labor pool have made it one of the most prominent and influential economies on the planet.³³ The fact that China was able to successfully campaign for Taiwan's removal from the UN is a notable example of the power China has both diplomatically and economically. Thus, China's significance in the global economy, matched with Taiwan's small size and lack of diversity in its economy, creates a dependent relationship, whereby Taiwan's economic success is deeply tied to its relationship with China.

Despite China's position as the more powerful state in multiple regards within the China-Taiwan relationship, both states have historically deviated from their

³² David K. Y. Chu. "The Special Economic Zones of China and Their Impact on Its Economic Development." *The China Quarterly* 158 (1999): 496-97.

³³ Yiping Huang, "China is a Special Developing Country." *The New York Times*. July 27, 2015. <https://www.nytimes.com/roomfordebate/2015/07/27/can-china-stand-on-its-own/china-is-a-special-developing-country>

prescribed roles as core and periphery. Taiwan's economy is deeply dependent on China, with a significant portion of capital dependent on Chinese markets.³⁴ In fact, between 1991 and 2002, 44% of Taiwan's investments abroad were in China, where large Taiwanese companies rely on Chinese markets for heavy industry and consumer goods.³⁵ However, in times of tense political standoff, China does not leverage Taiwan's economic dependence for political gain, as realist logic would predict. Instead, the Chinese have responded with purely militaristic shows of power, which included missile strikes across the strait, naval exercises, and the mobilization of troops in Xiaman, a coastal province directly across from Taiwan.³⁶ Similarly, during the Taiwan Strait Crisis, the Taiwanese made efforts to minimize their dependence on Chinese markets by passing significant restrictions on economic interactions across the strait, even though these restrictions disproportionately impacted the Taiwanese economy. These actions defy dependency theory assumptions. Neither the Chinese nor Taiwanese government act in the most economically efficient ways in order to protect sovereignty. Instead, the Chinese fail to fully leverage their global economic prominence by retaliating against Taiwan's independence movement with hard-hitting economic sanctions or restrictions, and the Taiwanese continue to promote their conception of a separate Taiwanese state via economic restrictions, despite the fact that economic wellbeing is sacrificed in the process. These actions indicate that for the

³⁴ Barrett and Whyte, "Dependency Theory and Taiwan."

³⁵ Ezra N. H. Chen. "The Economic Integration of Taiwan and China and Its Implications for Cross-strait Relations." *Projects at Harvard, Weatherhead Center for International Affairs* (2003/07).

<https://projects.iq.harvard.edu/files/fellows/files/chen.pdf>

³⁶ Andrew Scobell. "Show of Force: Chinese Soldiers, Statesmen, and the 1995-1996 Taiwan Strait Crisis." *Political Science Quarterly* 115, no. 2 (2000) 227-46.

Chinese and Taiwanese people, financial security is not always the most prominent value when establishing inter-state relationships and that there are other significant variables outside of economics involved in determining how both states operate in relation to one another. The aim of this thesis is to explore what other factors are involved in Taiwanese decision-making that has led to policy towards China.

The economic determinism described within dependency theory denies societies agency in establishing their interactions with other states. By attributing growth, or lack of growth, to exogenous characteristics, states are reduced to mere economic entities, where institutions, governance, and societal priorities are ignored. Taiwan's growth experience, as well as its relationship with China, indicates that these characteristics offer as much insight into economic development as does the external arbitrary designation of 'peripheral' or 'underdeveloped'.

Trade and Peace under Realism and Liberalism

While dependency theory posits relationships between states as one of exploitation and dominance, both liberal theories argue that pursuit of economic gain can actually lead to cooperation. Realists and liberal theorists arrive at differing conclusions, both of these positions presume that economic security is the principle foundation upon which state decisions are made and interstate relationships are developed.

The concept of perpetual peace, a cornerstone of liberal theory, made famous by Immanuel Kant, asserts that economic interdependence ultimately leads to peace

between nations.³⁷ The need for financial security constrains state leaders from waging war because economic integration expands the non-military interests of states.³⁸ By increasing the complexity upon which political decisions are made, economic interdependence doesn't abolish conflict, but simply expands the costs associated with warfare.³⁹

However, this theory is most applicable for relationships between 2 democratic states, where leaders of both nations are mutually held accountable by their constituents. For relationships between autocratic and democratic states, democratic nations are constrained by the demands of citizens, while an autocratic leader is not. In this way, democracy can become an inherent liability, because costs are less significant for leaders not constrained by popular opinion.⁴⁰ This theory is also applied to dyadic relationships, and fails to consider the complexity of alliances between multiple states.

While economic integration between Taiwan and China has steadily increased since 1987 and there has not been an outbreak of war across the strait, characterizing the nature of the relationship between the two states as peaceful would be misplaced. Economic integration between Taiwan and China has steadily increased since the

³⁷ Immanuel Kant. "Perpetual Peace: A Philosophical Sketch". Trans. by M. Campbell Smith. London: Swan Sonnenschein, (1795).

³⁸ Bruce M. Russett and John R. Oneal. *Triangulating Peace: Democracy, Interdependence, and International Organizations*. New York: Norton, 2001.

³⁹ Erik Gartzke, Quan Li, and Charles Boehmer. "Investing in the Peace: Economic Interdependence and International Conflict." *International Organization* 55, no. 2 (2001): 391-438.]

⁴⁰ Christopher F. Gelpi and Joseph M. Grieco. "Democracy, Interdependence, and the Sources of the Liberal Peace." *Journal of Peace Research* 45, no. 1 (2008): 17-36.; Katherine Barbieri. "Economic Interdependence: A Path to Peace or a Source of Interstate Conflict?". *Journal of Peace Research* 33, no. 1 (1996): 29-49.

opening of economic relations, and the Taiwanese often cite economic growth as justification for reducing independence efforts, but this has not stymied the Taiwanese nationalist movement. So, while economic integration might restrain both states, and these theories might credit increasing economic relations for evading war, the absence of warfare does not equate to peace between the Taiwan Strait. The democratic peace does not account for security dilemmas, where economic necessity might prevent an outbreak of war, but does not diminish the fear associated with political uncertainty. This theory is reductionist in its views of interstate relationships, and like dependency theory, fails to account for the preference of other national priorities, such as securing a unified national identity.

Taiwan's efforts to reduce integration indicate that contrary to liberal theories, while economic integration might expand the planes upon which decision-making occurs, it does not mean that financial security consistently maintains the most prominent determinant of inter-state relationships. Despite the prominence of this theory, it rests on the assumption that democratic states act blindly according to financial selfishness.

Foreign Direct Investment

As globalization allows multinational corporations (MNCs) to increasingly operate across national borders and leverage the advantages of differing markets, foreign direct investment is becoming a significant form of capital flow. Between 1995 and 2000, Global FDI flows increased by 700% and accounted for more flows

than all other forms of capital combined in many subsequent years.⁴¹ In addition, more research has examined the role of FDI as a form of development aid and its ability to promote domestic innovation in host countries. The international nature of MNCs and FDI allow them to operate outside of typical state governance, providing them with significant power and influence in the global economy.⁴² Taiwanese business owners of MNCs have played a significant role in the modern cross-strait relationship, thus considering the role of FDI in the future of the Taiwan-China relationship is essential.

Historically, foreign direct investment has been viewed as a way for states and corporations to leverage cheaper markets in smaller, or less developed states. “Head” nations developed ideas and promoted them, while ‘body’ nations were merely involved in production.⁴³ Similar to the principles of core and peripheral states, FDI flows allow smaller, less developed nations to play a more significant role in the global economy, because their cheaper labor markets and natural resources offer financial incentive to MNCs.⁴⁴ However, as globalization incorporates more components of production into the global economy, investment interactions between states and MNCs have become more nuanced.

Since the mid-1990s, MNCs have become increasingly fractionalized, where different components of production are divided across multiple countries in order to

⁴¹ UNCTAD *World Investment Report 2012*. United Nations: Geneva.; Sonal S. Pandya "Political Economy of Foreign Direct Investment: Globalized Production in the Twenty-First Century." *Annual Review of Political Science* 19, no. 1 (2016/05/11 2016): 455-75.

⁴² Leng Tse-Kang. "Dynamics of Taiwan-Mainland China Economic Relations: The Role of Private Firms." *Asian Survey* 38, no. 5 (1998): 494-509.

⁴³ Richard Rosecrance and Peter Thompson. "Trade, Foreign Investment, and Security." *Annual Review of Political Science* 6, no. 1 (2003/06/01 2003): 377-98.

⁴⁴ Pandya, "Political Economy of Foreign Direct Investment."

best leverage market conditions and tax incentives. Vertical specialization has allowed MNCs to increase profit margins while increasing the amount of nations utilizing FDI.⁴⁵ This has created a more competitive environment for nations aiming to attract FDI for its perceived economic benefits and has transformed the way MNCs use FDI. FDI is no longer solely about resource and labor exploitation, but also finding nations with favorable investment climates and institutions that protect property rights.⁴⁶ In this way, globalization has provided MNCs increasingly more leverage in the international economy.

Foreign direct investment is different than typical capital flows, because FDI indicates a more long-term relationship between host country and investing country. During economic downturns, FDI is less impacted than traditional capital flows.^{47 48} Additionally, FDI is often seen as a form of aid, because it increases economic productivity within the receiving country. Generally, economists have demonstrated that FDI within a country is associated with improved human development, but not causally. It can create spillover effects by stimulating internal markets.⁴⁹ For example, FDI between 1995 and 2005 into China was responsible for increased domestic patent

⁴⁵ Yi Kei-Mu. "Can Vertical Specialization Explain the Growth of World Trade?". *Journal of Political Economy* 111, no. 1 (2003/02/01 2003): 52-102.

⁴⁶ Pandya, "Political Economy of Foreign Direct Investment."

⁴⁷ S. L. Reiter and H. K. Steensma. "Human Development and Foreign Direct Investment in Developing Countries: The Influence of FDI Policy and Corruption." *World Development* (2010) **38**(12): 1678-1691

⁴⁸ Paul Brenton, Francesca Di Mauro, and Matthias Lucke. "Regional Economic Integration Between the EU and Central and Eastern Europe: *The Impact upon FDI and Trade*" in *Multinational Firms: The Global Dilemma*, edited by John Dunning and Jean-Louis Mucchielli, 61-73. London; New York: Routledge.

⁴⁹ *ibid.*

applications in provinces where the investments were located.⁵⁰ Because of the perceived benefits of FDI inflows, there has been a dramatic increase in bilateral investment treaties, providing MNCs with contractual agreements to protect investor rights.⁵¹ All of these improvements cater towards MNCs and lower production costs globally, but there is little research indicating if the increasingly competitive FDI environment is potentially harmful to developing countries and their labor forces, or how FDI outflows affect the economy of the sending country.

Protectionism

While it has not been determined that FDI alone can increase economic growth in a host country, foreign direct investment is typically viewed as valuable in a free trade environment. There is a prevalent agreement that the liberalization of FDI policies is “especially important for its potential to transfer knowledge and technology, create jobs, boost overall productivity, enhance competitiveness and entrepreneurship, and ultimately eradicate poverty through economic growth and development.”⁵² However, despite this general consensus, it is surprising then that protectionist FDI policies, particularly from nations hosting FDI, have grown significantly since 1992. Between 1992 and 1997, the emergence of new domestic protectionist FDI policies grew from 6% to 21% across the globe, and these new

⁵⁰ Cheung Kui-yin and Ping Lin. "Spillover Effects of FDI on Innovation in China: Evidence from the Provincial Data." *China Economic Review* 15, no. 1 (2004): 25-44.

⁵¹ Zachary Elkins, Andrew T. Guzman, and Beth A. Simmons. "Competing for Capital: The Diffusion of Bilateral Investment Treaties, 1960–2000." *International Organization* 60, no. 4 (2006): 811-46.

⁵² United Nations. "Final outcome of the international conference on financing for development." Paper presented at the *UN Conference on Financing for Development*, (March 2002) Monterrey, Mexico.

policies were enacted by states that comprised 40% of global FDI.⁵³ These protectionist policies threaten the global free trade environment, but they also signal the importance of domestic politics and attitudes in influencing economic decisions.

What is the relationship between domestic politics and economic policies, and is there any significant impact from protectionism? Historically, protectionist trade policies have been shown to foster the growth of infant domestic industries,⁵⁴ but these policies can also pose significant costs. For example, U.S. protectionist policies during 1985 are estimated to have cost the U.S. \$15-30 billion, and despite rhetoric to the contrary, other nations were not able to fully recover the cost of the tariffs by simply raising the price of their exports into the United States.⁵⁵ In addition, Jakobsen found that nations with high nationalist sentiment were more likely to deter MNCs from investing in the state.⁵⁶ While literature explores the ways nations encourage FDI through tax breaks and financial incentives, there is little exploring non-financial factors. As globalization increasingly necessitates economic interaction between states, and protectionist FDI policies become increasingly prevalent, it is becoming essential to understand how domestic politics and economic decision-making intersect, and to “delve further into the nonmaterial foundations of FDI support”⁵⁷

⁵³ Karl P. Sauvant, “FDI Protectionism is on the Rise” (September 1, 2009). *World Bank Policy Research Working Paper Series*, 1 September 2009.

⁵⁴ Réka Juhász. “Temporary protection and technology adoption: evidence from the Napoleonic blockade.” CEP discussion paper, CEPDP1322. *Centre for Economic Performance* (2004), London, UK.

⁵⁵ Robert C. Feenstra “How Costly is Protectionism?” *Journal on Economic Perspectives*. 6, No 3. (1992): 159-178.

⁵⁶ Jo Jakobsen and G. Jakobsen Tor. “Economic Nationalism and FDI: The Impact of Public Opinion on Foreign Direct Investment in Emerging Markets, 1990-2005.” *Society and Business Review* 6, no. 1 (2011/02/08 2011): 61-76.

⁵⁷ Pandya, “Political Economy of Foreign Direct Investment.”

Cross-Strait Political Economy 1987-1996

Since the emergence of China's Open Door Policy in 1978, China has made significant efforts to promote trade with Taiwan, mostly as a strategy to ensure greater control and integration across the strait.⁵⁸ In 1979, China established a special economic zone in the Xiamen province, where government regulations were more free-market oriented in order to attract greater foreign investment.⁵⁹ Xiamen's location directly across the Taiwan Strait was strategic. Deng Xiaoping was aiming to incorporate Taiwan into the Chinese economic and political system in the same way that Hong Kong and Macau were, with regulated expanded freedoms and sovereignty resting in the Mainland. Deng aimed to use economic incentives to promote his "One Country, Two Systems" agenda. These strategies worked for attracting Taiwanese businesses. China's cheap labor markets and proximity made it an attractive area for Taiwanese investments. "Mainland Fever" ran rampant across Taiwan, as investors leveraged the cheap labor forces in the mainland.⁶⁰ However, the use of cheap labor markets did not represent the broader Taiwanese' sentiments towards unification. As investors rushed to increase profit margins through Chinese markets, democratization was facilitating a powerful nationalist movement.

⁵⁸ Lin, *Taiwan's China Dilemma: Contested Identities and Multiple Interests in Taiwan's Cross-Strait Economic Policy*. Stanford, (California: Stanford University Press, 2016).

⁵⁹ Frank Holmes. "China's New Special Economic Zone Evokes Memories of Shenzhen," *Forbes* April 21, 2017. <https://www.forbes.com/sites/greatspeculations/2017/04/21/chinas-new-special-economic-zone-evokes-memories-of-shenzhen/#376053476f23>

⁶⁰ Lin, *Taiwan's China Dilemma*, 60.

Democratization signaled a shift in Taiwan's China Policy. Prior to 1988, the Taiwanese government had no formal structure for regulating investments in Mainland China, but Taipei's official position regarding all components of the cross-strait relationship was "no contact, no negotiation, and no compromise". Taiwanese businesses still made significant investments into China, but did so illegally. In 1992, the KMT adopted a new China policy, allowing investments, but only via third party in another country, and with projects categorized into allow and prohibited categories.⁶¹

The 1995 missile crisis signaled a sharp increase in regulations for Taiwanese investments across the strait.⁶² Prior to the Taiwan Strait Crisis, president Lee's views on economic integration with the mainland were relatively liberal. Lee's economic policy aimed to make Taipei a center for the "Greater Chinese Economy" by encouraging growth via trade with the mainland, as well as the rest of the global economy.⁶³ However, his policies shifted significantly in 1996. Because of China's hostile military actions after President Lee's remarks at Cornell, Taiwanese leadership began to view economic integration as an issue of national security in addition to economic wellbeing. These two concerns dominated discussions of the role of economic relations with China for the future of the Taiwanese people as both an

⁶¹ Mainland Affairs Council (MAC). "Act Governing Relations Between the People of the Taiwan Area and the Mainland Area (old version)." July 1992. https://www.mac.gov.tw/en/News_Content.aspx?n=4F2E0C155DF44564&sms=2C46F5E37DC2E1D2&s=1A530DDE8A245DC0; Lin, *Taiwan's China Dilemma*, 62.

⁶² Ibid.

⁶³ Harry Harding. "The Concept of "Greater China": Themes, Variations and Reservations." *The China Quarterly*, no. 136 (1993): 660-86. <http://www.jstor.org/stable/655587>.

ethnically and legally separate state from Mainland China and as a nation that prioritized economic development.

In 1996, Lee began to discuss new economic policies with his inner-circle and preparing a new proposal for sharp restrictions and increased monitoring of economic investments across the strait. However, political divisions had begun to develop within the legislature, with the formation of the new Nationalist Party (NP), which evolved out of a split in Lee's KMT party. In order to appeal to the broadest political base, Lee scheduled the National Development conference to address prominent issues within Taiwanese democracy and international relations.

“Taiwan First”- The National Development Conference

The National Development Conference convened on December 23, 1996 with the goals of creating constitutional reforms aimed at addressing salient issues within Taiwan. The purpose of the conference was to create consensus on compromises on these significant issues and bring them to the legislature to be ratified. These issues were divided into 3 major categories, politics and political parties, economic development, and cross-strait relations.⁶⁴ President Lee and his advisors had put significant work into developing the conference, with months of preparation preparing handbooks covering the topics discussed at the conference that included information regarding common areas of consensus and disagreements between political leaders, as well as potential compromises.

⁶⁴ Linda Chao, Ramon H. Myers, and James A. Robinson. "Promoting Effective Democracy, Chinese Style: Taiwan's National Development Conference." *Asian Survey* 37, no. 7 (1997): 669-82. doi:10.2307/2645515.

Lee's KMT party lacked the majority needed to pass constitutional amendments regarding cross-strait policy, thus any decisions regarding economic actions towards China required the input and consent of DPP and the newly formed NP party leaders. Lee had a vested interest in reaching consensus among members of the conference, with hopes that the consensus would translate into ratification within the legislature, and that his efforts towards compromise would bode well for him in the next presidential election. This is significant, because any NDC agreement signified the cooperation of 3 political parties with competing interests. More importantly, the NDC also included members of the public, from other branches of the government, academia and private businesses. Some of these participants were from outside Taiwan, including Americans and Hong Kong residents. None of the non-party leader participants could not vote on ratification, but their input was significant for decision-making.

A comprehensive restrictive China policy found support across the entire political spectrum, despite the fact that investments into China accounted for the largest percentage of Taiwanese outward FDI.⁶⁵ In addition to China's missile strikes 1 year prior, the Taiwanese were also concerned with Hong Kong's scheduled return to China in the upcoming year. Hong Kong's transition into a semi-sovereign territory of China was an outcome Taiwanese political leaders feared for their own country. Lee's economic restrictions, which intensified monitoring of investments into China and banned numerous types of investments, represented broader fears of sacrificing

⁶⁵ Ibid.

Taiwan's sovereignty due to economic dependence on China.⁶⁶ Because of these concerns, which generally transcended all political affiliations, "there was not a hint of opposition to Lee Teng-Hui's No Haste policy".⁶⁷ The No Haste Policies found support across a multitude of competing interest groups.

This was not the case for all of Lee's proposed policies. There was sharp disagreement over the constitutional reform sections of the conference. Notably, The NP sharply disagreed to Lee's proposal of providing the president with the power to dismiss the legislature and even walked out of early discussions. Lee's efforts on these fronts were seen as an attempt to consolidate his own power. Similarly, the DPP set up press conferences in which leaders vocalized their opposition to Lee and the KMT party and threatened to abandon the conference in total.⁶⁸ In this light, agreement on Lee's economic reform policies should not be seen as a more general agreement among policymakers on all key reforms discussed at the NDC. Instead, economic restrictions were heralded by all parties because they encompassed a broader grievance against the Chinese—denial of a unique Taiwanese identity.

No Haste Policies

The No Haste policies were part of the broader "Taiwan First" initiative that began at the NDC. As part of these agreements, Lee established the Mainland Affairs Council (MAC) to monitor cross-strait relations and to develop policies regarding Taiwan-China interactions. The council still exists today, and operates outside the

⁶⁶ Lin, *Taiwan's China Dilemma*, 71.

⁶⁷ Ibid.

⁶⁸ Chao, Myers, and Robinson, "Promoting Effective Democracy"

interests of the president, although it is subject to his or her influence.⁶⁹ The council's ultimate goals are to balance national security and peace interests.

In 1997 the MAC persuaded the Ministry of Economic Affairs to establish economic policies further restricting foreign investment into China. Previously, certain types of investments were subject to approval, but new guidelines increased the number of types of investments totally prohibited. Notably, infrastructure investments were moved to the prohibited category because they were seen as benefitting China's economic development, which would increase China's political and economic control over Taiwan. In addition, the upper limit for investments was lowered, so that only 20-40 percent of a company's net worth could be invested in China, with large companies facing the lower-bound limit.⁷⁰ On July 1, 1997, the same day that Hong Kong was scheduled to be returned to China, the No Haste policies took effect.

The broader Taiwanese public widely supported the NDC's decision to increase regulation of economic relations across the strait. A Ministry of Economic Affairs poll in May 1997 found that 94% of Taiwanese agreed that "national security should be the first priority in initiating economic policies toward Mainland China".⁷¹ But, while government officials and the broader public generally agreed with Lee's leadership in adopting the No Haste policies, the NDC decision to sharply increase

⁶⁹ Lin, *Taiwan's China Dilemma*, 71-72.

⁷⁰ Ibid.

⁷¹ Mainland Affairs Council Public Opinion Polls. "Opinion Post."
<http://www.mac.gov.tw/np.asp?ctNode=5895&mp=3>.

regulations found greater opposition in those who were most directly impacted by these investment restrictions—large business owners.⁷²

The business community's sharp divergence from typical Taiwanese sentiments on the No Haste Policies is not surprising, considering that their livelihoods were most directly affected by the policies. In addition, the nature of FDI means that most Taiwanese might not perceive themselves as directly impacted by the restrictions, at least in the short run, because FDI is often viewed as an outflow of capital, rather than a direct investment in the Taiwanese people and the island's economy.⁷³ In addition, the Taiwanese public viewed China's attempts to court Taiwanese MNCs with tax incentives and a competitive labor market as attempts to undermine Taiwan's sovereignty, thus any large investments signaled the successful manipulation of Taiwan's businesses.⁷⁴ While these conceptions of FDI are not entirely accurate, these attitudes were a significant contributor to the divergence of opinions between Taiwanese MNCs and the broader public.

Case Study: Formosa Plastics Group

Rhetoric from Taiwanese MNC leaders indicate that these newfound restrictions were extremely harmful to their company's financial wellbeing. The government, and Lee specifically, began to experience significant backlash from these MNC leaders, because of the stringent policies reduced their ability to increase company profits in the mainland. Many of these MNC leaders held significant

⁷² Leng Tse-Kang. "Dynamics of Taiwan-Mainland China Economic Relations: The Role of Private Firms." *Asian Survey* 38, no. 5 (1998): 494-509. doi:10.2307/2645505.

⁷³ Ibid.

⁷⁴ Ibid.

influence over policy and politics because of their economic influence within the nation, and their uproar was proportionately influential. Notably, Y.C Wang, CEO of Formosa Plastics Group (FPG), made very public attempts to discredit Lee's policies and led efforts to prevent his reelection.

Wang's Formosa Plastic Group began producing PVC in 1954, and eventually grew to become the largest employer in Taiwan.⁷⁵ Wang helped diversify FPG into the petrochemical industry and increased the company's overseas investments significantly, mainly in the United States and China.⁷⁶

In 1996, Wang submitted an investment application for a \$3.8 billion power plant in Zhangzhou, China.⁷⁷ The Chinese government had been aggressively encouraging the project because of its perceived economic benefits for the mainland. FPG was granted significant tax breaks, and the Chinese government had announced a massive infrastructure project within Zhangzhou in order to streamline the construction process of the power plant.⁷⁸ If approved, the project would become the largest Taiwanese investment in China—22 times larger than the second greatest Taiwanese investment program.⁷⁹ Initially, the MOEA provided approval for Wang's application, but as Lee began to publicly advocate for investment restrictions across the strait in 1996, which eventually developed at the NDC later that year, the decision

⁷⁵ Deng Ping. "Taiwan's Restriction of Investment in China in the 1990s: A Relative Gains Approach." *Asian Survey* 40, no. 6 (2000): 958-80.

⁷⁶ Formosa Plastics Group. "About Formosa Plastics." Accessed January 14, 2017. <http://www.fpcusa.com/about.html>

⁷⁷ Deng, "Taiwan's Restriction of Investment in China in the 1990s." 969.

⁷⁸ *Ibid.* 969-970.

⁷⁹ *Ibid.* 971.

was reversed, and Wang removed his application due to pressure from the MOEA.⁸⁰ In addition to contestation about the massive size of FPG's investment, Wang's power plant was largely banned because it was outside of FPG's usual scope of investments—petrochemical and plastics manufacturing. Instead, the investment was seen as directly benefitting the Chinese via power generation and was not perceived by Lee or the MOEA to have direct benefits to the economic growth of Taiwan.⁸¹

While Wang had met privately with members of the MOEA and they had agreed on the removal of his application, in March 1997 he announced to his employees that construction would proceed anyways. Wang had simply bypassed the government in funding the power plant by having one of his international subsidiaries fund a majority of the project.⁸² While the initial funding of the project could be funded via outside subsidiaries, future stages of the project would require significantly more capital and would necessitate FPG's direct financial support, thus Wang made his public announcement in hopes that the government would shift towards more liberalized policies. This public plea for policy change failed. Wang's FPG was fined NT \$15 Million (approximately \$US 506,000) and was forced into compliance.

Wang's efforts were supported by the business community, because they represented an alternative approach to guarding Taiwan from dependence on Chinese markets. A March 30th, 1997 *China Times* editorial reflected their sentiments that “instead of penalizing Formosa Plastics and [Y.C. Wang] and other industrial companies, why not speed up the development of Taiwan into a more competitive

⁸⁰ Lin, *Taiwan's China Dilemma*, 83.

⁸¹ Deng, "Taiwan's Restriction of Investment." 970.

⁸² Lin, *Taiwan's China Dilemma*, 83-84.

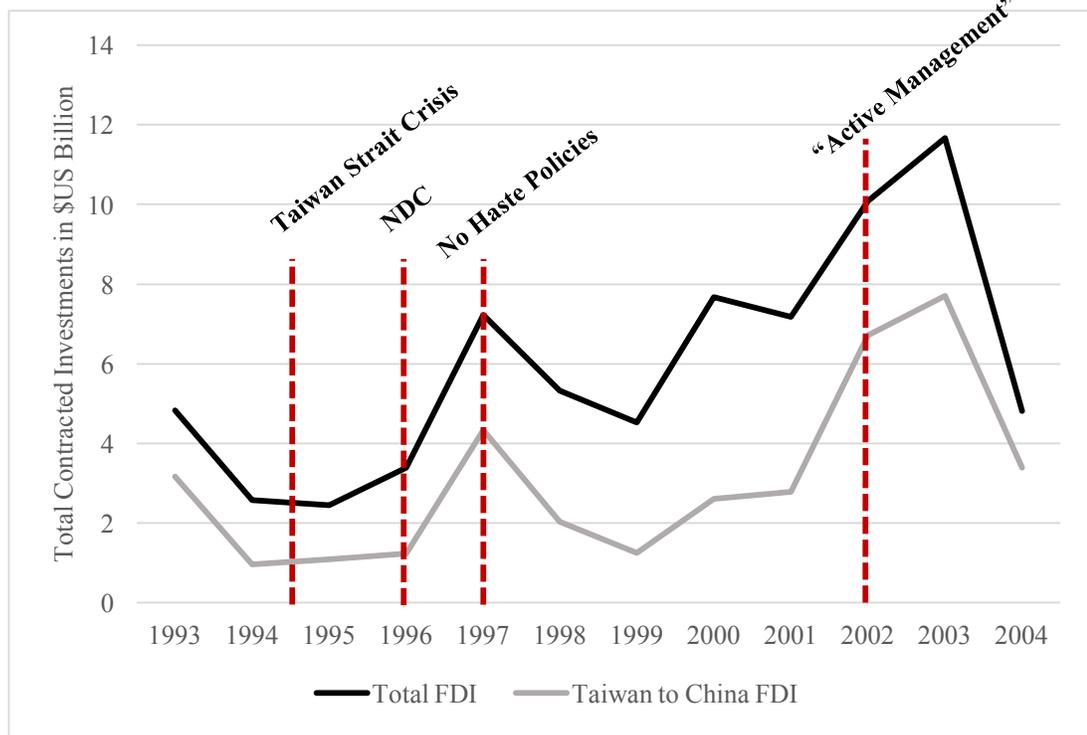
entity?”⁸³ However, despite their assertions that improving Taiwan’s investment climate was essential for developing economic independence from China and to improve the quality of life for citizens of their homeland, Wang’s power plant project demonstrated that it was not his goal to broadly increase the prosperity of the Taiwanese people, but to significantly drive profits for his company alone. His power plant did not streamline manufacturing efficiencies or lower production costs for goods, but provided energy to the Chinese people.

No Haste-Implications

With the implementation of the No Haste policies in July 1997, Taiwanese companies were forced to comply with the new regulations and restrictions. Initially, business owners with significant political power and influence resisted, but Lee was unrelenting in his enforcement of the policies. As a result of Taiwan’s decision to prioritize national security and sovereignty and to sacrifice economic wellbeing, Taiwan saw a sharp decrease in contracted FDI into China, as well as a steep decrease in total outward FDI, as demonstrated in Figure 1.

⁸³ Ibid. 84.

Figure 1 Foreign Direct Investment, Taiwan to China 1993-2004



Source: Data from Mainland Affairs Council, Republic of Taiwan, “Cross Strait Economic Statistics Monthly.”

The chart above indicates the change in Taiwan’s outward FDI into China during this time period. There is a sharp increase, followed by a sharp decrease between 1997 and 1998. The sharp increase is because the Taiwanese government instituted a large crackdown on unregistered investments upon implementation of the No Haste policies. Investors that previously invested illegally were forced to submit proposals under the new laws, creating a larger than usual influx of investment requests.⁸⁴ Thus, this drastic increase does not indicate an actual increase in new investments across the strait, but simply a retroactive recognition of older investments.

⁸⁴ Mainland Affairs Council. “Cross-Strait Economic Statistics Monthly” no. 169 <http://ws.mac.gov.tw/001/Upload/OldFile/public/MMO/MAC/兩岸經濟統計月報no.16910.pdf>

This sharp decline in FDI into the PRC in 1998 is accompanied by a slightly less sharp reduction in total FDI, which might initially indicate a general contraction of FDI due to market conditions, but most likely signifies that Taiwanese business owners were not able to initially redirect their prohibited Chinese investments to another country, thus, an initial contraction in total FDI is not surprising, as Taiwanese investors struggled to find another nation appropriate for their investment projects.

A decline in both FDI into the PRC and total FDI continues until 1999. At this point, both total FDI and FDI into the PRC increase, but with total FDI increasing by \$3.16 billion, and FDI into the PRC increasing by \$1.36 billion. Despite increases for both forms of investments, the gap between total FDI and FDI into the PRC is largest at this point.⁸⁵

The table below indicates the amount of new cases for Taiwanese investments into PRC approved by the MOEA between 1992 and 2001, as well as contracted FDI into China between 1992 and 2001. Contracted FDI is different from FDI flows because it represents a new project commitment, which is supposed to materialize over time, rather than an actualized investment for the year. While the amount of approved cases in 1997 and 1998 increased drastically, from previous years, the contracted amount of FDI did not. In fact, the contracted amount of FDI in 1997 is almost half of the previous year, although there are more than 22 times the amount of MOEA approved cases than 1996. The contracted FDI exhibits a similar pattern to the overall FDI, with drastic reductions occurring after the implementation of Lee's regulations, despite the fact that the new regulations cracked down on illegal investments and

⁸⁵ *ibid.*

resulted in a massive influx of investment applications. FDI remains below 1996 levels until 2001, when Chen Shui-Bian's liberalization policies took effect.

Figure 2 Investments in Mainland China, 1992-2001

	Approved investment cases by MOEA	Contracted amount in \$US million
1992	264	\$5,543.35
1993	9,329	\$9,964.87
1994	934	\$5,394.88
1995	490	\$5,849.07
1996	383	\$5,141.00
1997	8,725	\$2,814.49
1998	1,284	\$2,981.68
1999	488	\$3,374.44
2000	840	\$4,041.89
2001	1,186	\$6,914.19

Source: Data from Mainland Affairs Council, Republic of Taiwan, “Cross-Strait Economic Statistics Monthly.” no. 169, table 10.

<http://ws.mac.gov.tw/001/Upload/OldFile/public/MMO/MAC/兩岸經濟統計月報no.16910.pdf>.

An Alternative Investment Route: “Go South”

In order to offset the decline in investments into China, Lee encouraged Taiwanese MNCs to “go south”. His ambition for this initiative was to both diversify the Taiwanese economy and recuperate any economic contractions due to No Haste regulations. His Go South initiative encouraged investors to send their FDI towards

Southeast Asian countries such as Indonesia, Thailand, Philippines, and Vietnam.⁸⁶

However, lack of proper infrastructure and security concerns often limited investment capabilities in Southeast Asia.⁸⁷ In addition, All ASEAN nations had developed diplomatic relations with PRC rather than Taiwan, making it more difficult to develop trade agreements or facilitate discussions about investment climates.⁸⁸

Investment in ASEAN countries had historically been in capital intensive projects such as textiles and electronics assembling, whereas China was known for its engineering and technology capacity, as well as inexpensive labor.⁸⁹ Large companies, such as Tundex Group and Pao Cheng Shoe Co. tended to expand their investments into both China and Southeast Asian countries while maintaining headquarters in Taiwan. These companies leveraged their relative advantages in each country in order to create efficiencies in their production processes.⁹⁰

By discouraging investment in Chinese markets, Lee's Go South initiative disproportionately harmed mid-sized private firms. Larger firms were able to more easily recuperate costs associated with moving FDI to ASEAN countries, and could manage wage increases and inflation more so than smaller firms.⁹¹ The combination of No Haste and Go South removed economic efficiencies created when MNCs could take advantage of the relative advantages of Chinese and ASEAN markets. By largely

⁸⁶ Chen Xiangming. "Taiwan Investments in China and Southeast Asia: "Go West, but Also Go South"." *Asian Survey* 36, no. 5 (1996): 447-67.

⁸⁷ Iris C. Gonzales "Infrastructure, Security Woes Limit Investment (Despite 'Go South' rule, Taiwan firms not keen on RP)" *BusinessWorld*. 25 November 2003..

⁸⁸ Jing Bo-jiun. "Go South" Going South? Assessing Taiwan's "New Southbound" Policy and the China Factor in Southeast Asia."

⁸⁹ Chen, "Taiwan Investments in China and Southeast Asia" 457.

⁹⁰ Ibid.

⁹¹ ibid. 460.

prohibiting major investments in China, No Haste forced MNCs to use less effective markets for FDI and disrupted opportunities for FDI fragmentation that would enable MNCs to use both Chinese and ASEAN markets for their respective market strengths. Lee's policies failed to account for the possibility of increasing investment diversity without largely impeding investment efforts in Taiwan's largest investment partner.

2001- Chen Shui-bian and Liberalization

In March 2000, Chen Shui-bian was elected president of Taiwan. Chen, a DPP member, was the first to break the 40-year reign of the KMT party, and the peaceful transition signaled an important milestone for Taiwan's democracy. Chen advocated a different form of interaction with China than his predecessor, while still holding fully to the idea that "Taiwan and the People's Republic of China are two countries that do not belong to each other, do not rule each other, and do not administer each other."⁹² Chen had only won a plurality of votes in the 2000 election and faced a legislature dominated by KMT party members. His strategy in gaining the presidency was to appeal to the widest base of voters by avoiding extremism, despite the fact that many of his DPP party members were strongly against any policies that might indicate future unification with China.

Chen did not differ from Lee on his stance of Taiwan's sovereignty, nor on his opinion of the threat of China imposing on Taiwan's national security, but approached economic integration with the mainland differently.⁹³ His presidency signaled a shift

⁹² Chen Shui-bian. "China Policy White Paper across the Century." *Chinese Law & Government* 35, no. 5 (1999): 64.

⁹³ Ibid.

in economic policy toward China, while still maintaining a strong insistence of Taiwan's status as a separate state from PRC.

In 2001, Chen hosted the Economic Development Advisory Conference (EDAC), which was similar in nature to Lee's NDC. The conference included representatives from the government, academia, and business owners. EDAC members reached agreement on reframing Taiwan's investment policies in order to liberalize economic relations between the states. The categories of investments were reduced to include only 'prohibited' and 'general' investments. There was no longer a review process for smaller investments, as long as the project was reported to the MOEA.⁹⁴ In addition, the EDAC signaled the beginning of discussions for direct trade and postal routes to the Chinese mainland, rather than a third-party territory, such as Hong Kong or Macao.⁹⁵

In his closing statement at the EDAC, Chen said, "Twenty-first century Taiwan must find a stable and balanced economic 'third way' between economic development and environmental protection, between industrial investment and welfare of the disadvantaged, and between corporate and labor interests, and it has to be carried out with the cooperation of the government and the private sector."⁹⁶ Notably missing from his rhetoric is reference to national security or identity formation. Chen's

⁹⁴ Lin, *Taiwan's China Dilemma*, 102.

⁹⁵ Mainland Affairs Council. 2001 "Major Events Across the Taiwan Strait- 2001." Accessed January 15, 2017.

https://www.mac.gov.tw/en/News_Content.aspx?n=1C6028CA080A27B3&sms=6F070A2443531120&s=3EF122092081EA37

⁹⁶ Office of the President, Republic of China (Taiwan). August 26, 2001. "President Chen's Remarks at the Closing of the EDAC." Accessed January 15, 2017. <http://english.president.gov.tw/NEWS/755>

approach to economic relations was starkly different from Lee's. A Chen Shui-Bian presidency signaled the possibility preserving national identity while simultaneously encouraging economic liberalization.

Conclusion

National security dominated Taiwan's economic policies towards PRC between 1996 and 2001. These policies were a direct result of The Taiwan Strait Crisis, and fears of the Chinese leveraging Taiwan's economic dependence to deny Taiwan its autonomy. Specifically, the No Haste Policies addressed investments into mainland China and drastically reduced the amount of approved investments across the strait. These policies addressed FDI because of its tendency to largely benefit the hosting country (PRC) rather than the Taiwanese economy. These policies were widely supported as efforts to reinforce a unique Taiwanese identity, but found opposition from Taiwan's business community. President Lee's efforts to counteract the contraction in FDI resulting from his No Haste policies failed to consider the different market conditions of other investment nations, thus created economic inefficiencies. Despite these significant economic disadvantages brought on by extensive regulation across the strait, the Taiwanese people broadly supported the No Haste Policies as efforts to reduce dependence on China and establish a firmly separate Taiwanese national identity. Chen Shui-bian's election into the presidency in 2000 signaled a shift in economic policy towards China, but not a reformation of Taiwanese identity. The next chapter will explore identity formation over time, and how the Taiwanese people conceptualized their national identity in relation to China

over time, allowing a shift in policy that did not violate core tenets of their national identity narrative.

Chapter 2: National Identity

In order to understand the sources of Taiwan's economic protectionism between 1996 and 2001, it is important to examine Taiwanese national identity—both its sources and implications in policymaking. My argument is that the No Haste policies were primarily a function of national identity rather than rational economic decision-making. To further this hypothesis, this chapter will explore nationhood and nationalism and how it is conceptualized and made operational within states. Then, I will explain how Taiwan's strict economic regulations following the Taiwan Strait Crisis were a function of national identity formation. Finally, I will seek to provide justification for the significant policy shift towards liberalization following Chen Shui-Bian's election in light of shifting identity.

Nation and Nationalism Defined

A nation, as defined by Benedict Anderson, is an imagined community, both politically sovereign and limited in its scope.⁹⁷ Nations are not inherent, but subject to a collective consciousness whereby membership is bestowed and withheld based on intersubjective criteria determined by those already maintaining membership. A nation necessitates boundaries and exclusion of outsiders, but the malleable nature of identity makes boundaries susceptible to modification over time.⁹⁸ Nationality is defined by a shared characteristic among members, including ethnicity, language, religion, or shared values or history.⁹⁹ The nation, as conceived by its members, demands a level

⁹⁷ Benedict Anderson. *Imagined Communities* (New York: Verso, 1983), 6.

⁹⁸ *Ibid.* 146

⁹⁹ James G. Kellas. *The Politics of Nationalism and Ethnicity*. New York: St Martin's Press, 1991. 51-52.

of kinship and loyalty to other members of the nation, even without understanding the personal characteristics of an individual. In this way, nationality acts a heuristic for trust and faith. “In the minds of each lives the image of their communion”¹⁰⁰

While often used interchangeably, the nation and a state are not always mutually constitutive. A state’s existence is dependent upon mutual recognition by other states and explicit physical boundaries. Few states are composed of a singular nation, making the state a function of nationality, but others are composed of differing groups that do not conceive of their state and nation as a unified component of their identities. The ‘nation’ appeals to a more fundamental component of an individual’s identity, demanding loyalty and comradeship with those sharing nationality. This is because nationality is imagined to be based in antiquity and carries a profound level of sacredness.¹⁰¹ Contrarily, a state’s existence and legitimacy is bounded solely in the present. State boundaries, landscapes, and monuments might carry profound significance within a state, but this is rooted in their symbolism tied to national identity. These physical components of states find significance in their socially attributed narratives.¹⁰² So, while the nation and state are not mutually exclusive, collective cultural significance is most prominent when societies conceive of themselves as a nation. In this way, analysis of state actions, particularly in democratic societies, benefits from an understanding that decision making can reflect national identity, constructed by citizens as part of the collective self.

¹⁰⁰ Anderson, *Imagined Communities*, 6.

¹⁰¹ *Ibid.*, 12.

¹⁰² Lowell Ditmer. “Taiwan’s Aim-Inhibited Quest for Identity and the China Factor.” *Journal of Asian and African Studies*. 30 no. 1-2. 1 February 2005.

Nationalism is the allegiance to one's nation above all other identity categories. In rendering decisions, the interests of one's nation are primary. Nationalism differs from patriotism, in that patriotism involves positive attachment to a national group, whereas nationalism necessitates derogatory feelings towards outgroups.¹⁰³ When national identity is consistently the most salient identity, an individual can easily conceive of their personal and national identity as mutually constitutive. For marginalized groups, oppression along ethnic lines can so define their interactions with others that group identity can become a cognitive heuristic for self-identity. This has been documented in African Americans where voting behaviors have historically been consistent throughout all socioeconomic and class levels.¹⁰⁴ The black utility heuristic is a function of African Americans having faced historical systematic subjugation along economic and racial lines. Oppression provides almost all African Americans with a mutual understanding that what is best for the group is also best for individuals within the group.¹⁰⁵ Similarly, creole nationalism, or postcolonial nationalism, is a subset of nationalist movements, and is the result of colonialism and imperial conquest. Societies that have been subject to colonialism are provided with a salient national identity that is reinforced through social and political activities where ethnicity is presented as the most dominant determinate of interactions.¹⁰⁶ According to Yanan He, "What frequently reinforces creole patriotism

¹⁰³ Daniel Druckman. "Nationalism, Patriotism, and Group Loyalty: A Social Psychological Perspective." *Mershon International Studies Review* Vol. 38, No. 1 (April 2004): 43-68.

¹⁰⁴ Michael C. Dawson. *Behind the Mule: Race and Class in African-American Politics*. (Princeton University Press: Princeton, New Jersey, 1994) 45-69.

¹⁰⁵ Ibid.

¹⁰⁶ Anderson, *Imagined Communities*.

is a bitter sense of dispossession and alienation from the discriminatory and even oppressive system imposed by the metropole on the colonies.”¹⁰⁷

Nation and Memory

Collective memory is critical to sustaining a national identity because through these memories, societies imagine their shared experiences and traditions.¹⁰⁸

According to Homi Bhabha, “nations, like narratives, lose their origins in the myths of time and only fully realize their horizon’s in the mind’s eye.”¹⁰⁹ Shared experiences reinforce the cultural boundaries that define the nation. They also inform a nation’s present identity and facilitate future hopes, expectations, and goals. Critical to the construction of ethnic identity is ethno-history, which is the embodiment of a society’s collective memory and understanding of culturally significant historical events. Ethno-history “is multi-stranded and contested; it is always subject to change; and it is globally uneven.”¹¹⁰ In addition, it is entirely subject to a society’s opinions, prejudices, and interpretation of events; thus, it remains flexible and ever-changing, much like identity itself. Nations often construct their identities by claiming their legitimacy stems from pre-existing categories and communities, thus memory becomes critical in defining national identity. However, ethno-history is not limited to historically factual events, thus, myths, folktales, or embellished historical events can function as formative identity narratives. Communities can develop a cohesive

¹⁰⁷ He Yinan. "Identity Politics and Foreign Policy: Taiwan's Relations with China and Japan, 1895–2012." *Political Science Quarterly* 129, no. 3 (2014): 469-500.

¹⁰⁸ Anthony Smith. *Myth and Memories of the Nation*. (New York: Oxford, 1999) 10-12.

¹⁰⁹ Homi K, Bhabha. *Nation and Narration*. (London, New York: Routledge, 1990) 1.

¹¹⁰ *Ibid.* 16

national identity through the mutual understanding of a historical event, whether or not that that interpretation reflects objective history.

Nation and Narrative

For post-colonial states, the act of colonization can often form the necessary cultural understanding of an independent national identity by creating divisions between colonizer and colonized along cultural or ethnic lines. In this way, colonization forces the perpetual salience of cultural identity in the form of oppression. Bhaba astutely puts it that “the nation fills the void left in the uprooting of communities and kin, and turns the loss into the language of metaphor.”¹¹¹ Memories of their former colonizer can affect the nature of the relationship, even after significant time has passed. While memory plays a role in the conception of all nations, it is certainly heightened in post-colonial states, where atrocity and exploitation are often rooted within the social construction of nationhood. W.E.B Dubois asserted that historically exploited and subjugated cultures held a “double consciousness” whereby memories of past subjugation informed political behaviors in the present.¹¹² Similarly, Kelly found that Australia’s modern-day ambivalence towards the British was a function of interactions during World War I.¹¹³

Post-colonial trauma often manifests itself in popular culture, including literature, art, and other modes of expression.¹¹⁴ It also can emerge in political narratives and policy formation. Campbell argues that foreign policies are extensions

¹¹¹ Ibid, 291.

¹¹² Dawson. *Behind the Mule*.

¹¹³ Mathew Kraig Kelly. “An Ambivalent Nation: Australian Nationalism and Historical Memory”. *UCLA Historical Journal*. 23, no. 1 (2012): 1-11.

¹¹⁴ Abigail Ward. *Postcolonial Traumas*, (Palgrave Macmillan: London, 2015).

of national identities and that viewing national security through the lens of identity formation is critical for accounting for policy decisions.¹¹⁵ Similarly, Goddard and Krebs posit that a legitimation process is critical for framing national security interests and creating grand strategy in the face of national insecurity.¹¹⁶ As a socially constructed concept, national interest benefits from a compelling narrative that unifies a nation and provides justification for policies. For example, by reframing the context of World War I through his Fireside Chat narratives, FDR was able to shift public opinion towards favoring involvement in the conflict.¹¹⁷

National Identity and Ontological Security

Anderson asserts that the conception of the nation appeals to a fundamental component of collective identity, so much so that it transcends economic and political needs or ambitions. In his words, “If people imagined the proletariat merely as a group in hot pursuit of refrigerators, holidays, or power, how far would they, including members of the proletariat, be willing to die for it?”¹¹⁸ His illustration demonstrates how the nation appeals to a fundamental component of self-hood. As an extension of his analysis, ontological security is critical to the concept of nationhood. Ontological security is the security of the self, whether individual or collective. While realist and liberal economic theorists assert that capital and ambition underlie state actions, ontological security posits that security of the self can play significant roles in

¹¹⁵ David Campbell. *Writing Security: United States Foreign Policy and the Politics of Identity*. (University of Minnesota Press: Minneapolis, 1992).

¹¹⁶ Stacie Goddard & Ronald R. Krebs “Rhetoric, Legitimation, and Grand Strategy,” *Security Studies*. 2015. 24:1, 5-36.

¹¹⁷ Ronald R. Krebs. “Tell Me a Story: FDR, Narrative, and the Making of the Second World War,” *Security Studies*. 2015. 24:1, 131-170.

¹¹⁸ Anderson. *Imagined Communities*, 148.

determining relationships between groups.¹¹⁹ In preserving ontological security, relationships that are harmful can become routinized functions of interaction, “which means states can become attached to conflict.”¹²⁰ In this view, tension between nations is not a function of uncertainty, as security dilemmas are often framed, but the result of intentional efforts to maintain a consistent relationship, despite the possibility of negative implications.¹²¹ The concept of ontological security stresses the value that individuals and groups place on establishing agency. When ontological security is sacrificed for physical security, nations can experience significant shame, because this represents a betrayal of self-hood.¹²² To reconcile this dissonance between physical and ontological security, states will sacrifice physical security. Ontological security becomes a valuable lens for examining foreign policy because of its ability to contradict traditional understandings of how national security is constructed. More specifically, in understanding Taiwan’s relationship to China, it lends to a more nuanced narrative as to why the Taiwanese willingly prioritized state autonomy over economic security.

The rest of this chapter will shift to explore Taiwan’s experience in light of nationalist literature. Taiwan’s history and experiences offer the nation a strong sense

¹¹⁹ Jennifer Mitzen. "Ontological Security in World Politics: State Identity and the Security Dilemma." *European Journal of International Relations* 12, no. 3 (2006/09/01 2006): 341-70.

¹²⁰ *ibid.*

¹²¹ Robert Jervis. "Cooperation Under the Security Dilemma." *World Politics* 30, no. 2 (1978): 167-214.

¹²² Brent Steele. *Ontological Security in International Relations: Self-Identity and the IR State* (New York: Routledge, 2008) 1-5.

of national identity that has been created through a colonial past and is continually leveraged in modern political and cultural policies.

Taiwan's Nationalist Movement—Why China?

While Taiwan's history has been dominated by various colonial powers, including the Dutch, Spanish, Japanese, and KMT Chinese Nationalists, modern nationalist grievances are most deeply rooted in KMT rule between 1945 and 1987. Why? The Japanese and Chinese are often referred to as Taiwan's "unforgettable others" because their modes of governance have been significantly more involved than prior powers that simply leveraged Taiwan's geographical location for trading ports. However, attitudes towards the Chinese have historically been heavily negative in relation to attitudes towards Japan.¹²³ Japanese colonial rule was often equally repressive and involved as KMT nationalist rule, but the common modern narrative of Japanese leadership is significantly more respectful than the narrative surrounding KMT leadership. I assert that the discontinuity in narratives stems from the differing governance models adapted by the Japanese and KMT.

Taiwan was conceded to Japan in 1895 after the First Sino-Japanese War, and the Japanese quickly incorporated the island into Japan's growing economic model. Investment from Japan into Taiwan was encouraged by Japanese leadership. A national railway was developed, as well as social programs and compulsory schooling.¹²⁴ Weights and measurements were standardized, and property rights were developed. All of these modernization efforts were aimed at using Taiwan as an

¹²³ He Yanan. "Identity Politics and Foreign Policy: Taiwan's Relations with China and Japan, 1895-2012."

¹²⁴ Lin, *Taiwan's China Dilemma*.

agricultural appendage of Japan.¹²⁵ While Japanese leadership brought economic growth, the Taiwanese maintained their autonomous cultural identity because it did not impede on Japan's imperial model. Economic development was the main axis of interaction between the Taiwanese and Japanese. During World War II, many Taiwanese were called to serve alongside the Japanese in defending their rule in the Asia-Pacific. Upon Japan's loss to the Allied Powers, Taiwan was conceded as a war reparation to the Chinese and colonial Japanese leadership ended. In the aftermath of the War, Japanese families of deceased soldiers received compensation from the Japanese government. However, Taiwan's concession to China meant the Taiwanese were denied reparations for their losses. Similarly, monuments in Japan honoring the deceased are notably missing their Taiwanese compatriots.¹²⁶ In these ways, the Japanese systematically denied the Taiwanese access to the protections and equality granted under Japanese leadership and maintained a system of repression against the Taiwanese. Taiwanese soldiers were "not to live as Japanese, but to die as Japanese".¹²⁷ However, no matter the degree of neglect or denial of human rights, in their suffering, the Taiwanese maintained a level of autonomy and unique collective identity.¹²⁸ Their experiences were separate from their imperial power, providing fuel for a common Taiwanese national narrative.

¹²⁵Thomas B. Gold. *State and Society in the Taiwan Miracle*. (New York: East Gate, 1986).

¹²⁶Leo T. S. Ching. *Becoming Japanese: Colonial Taiwan and the Politics of Identity Formation*, (University of California Press, 2001) 7.

¹²⁷ Ibid.

¹²⁸ Barak Kushner. "Nationality and Nostalgia: The Manipulation of Memory in Japan, Taiwan, and China since 1990." *The International History Review* 29, no. 4 (2007): 793-820.

KMT rule was fundamentally different in its treatment of Taiwanese identity. Chiang Kai-Shek and his nationalist army was outcast to Taiwan after a bitter civil war between Mao's communist party and Chiang's nationalists. However, Chiang Kai-Shek remained insistent that his leadership encompassed China as a whole, including the mainland. Incorporating the Taiwanese into his narrative of Chinese nationalism became the party's imperative. Despite almost 400 years of various colonial experiences, the Taiwanese had maintained autonomous concepts of their island prior to KMT rule. Leadership based on economic exploitation had allowed the Taiwanese to maintain their cultural narrative, but Chiang's regime began systematically indoctrinating the Taiwanese with Chinese nationalist propaganda. Aboriginal languages were forbidden, and Mandarin adopted as the standard language across the island. Many industries were nationalized, and private property seized from peasants. The KMT introduced school curriculum that centered around Chinese nationalism, and passing the civil service exam required memorizing large components of KMT ideology.¹²⁹

The differing perspectives of the Taiwanese towards the Chinese Nationalists and Japanese can best be explained by the way each colonizer respected Taiwanese identity. While the Japanese denied the Taiwanese full access into the benefits of Japanese economic growth, exploited the resources of the island for imperial imperatives, and refused the Taiwanese full benefits of Japanese citizenry, their actions still represented the conception of the Taiwanese as a separate culture and nation. Although Japanese imperial rule repeatedly reminded the Taiwanese people

¹²⁹ Edmondson. "The February 28th Incident and National Identity." 26.

that their heritage was inferior, the distinction between ‘Japanese’ and ‘Taiwanese’ remained clearly separate and consistent. Complaints against the Japanese can be rooted in injustice and inequality, but not of denial of identity. The narrative of the KMT was fundamentally different. In the eyes of the KMT, the Taiwanese were part of the broader Chinese culture, and the oppression experienced by the Taiwanese was for the purpose of denying them self-determination. In this way, The Taiwanese nationalist movement is not a function of human rights grievances, but the denial of a fundamental component of personhood—the right to a self-determined identity.

A similarity can be drawn between the KMT’s method of colonialism and China’s modern attempts to restrain the Taiwanese in any efforts to assert an autonomous identity. The Chinese government continues to insist that Taiwan’s sovereignty rests in China, which is most clearly seen through the “One Country, Two Systems” narrative that has prevailed since Taiwan’s democratization. The Chinese aren’t simply pushing the Taiwanese into diplomatic isolation or merely subjecting Taiwan’s economy to economic dependence on the mainland, but like the KMT, The Chinese government continuously leverages its economic prowess and global political power in order to quell alternative national identity narratives.

In addition, the fact that the KMT suppressed the Taiwanese for decades under a purely Sino-centric narrative is key to understanding how these separate government regimes afflicted the Taiwanese along the same axis, and why memories of past generational horrors influenced the actions of the Taiwanese after democratization.

Remembering Atrocity- 2/28

The February 28th Incident (2/28), is the most commonly referred to moment in Taiwanese history. The chain of events that occurred in February 1947 function as a platform for the modern Taiwanese nationalist movement, and Taiwanese identity more generally. According to Robert Edmonson, “This event is perhaps the most the most important single event in Taiwanese history because it made Taiwanese history thinkable.”¹³⁰ 2/28 offers the Taiwanese a clear definitional point where Taiwanese ethnicity first became salient in determining their role in society. While prior interactions with colonizers involved discrimination and inferior treatment, 2/28 and the KMT’s subsequent 3-decade martial law directly pointed to Taiwanese heritage and culture as the most defining characteristic involved in their subjugation. Because of this, 2/28 emerged as the platform upon which the Taiwanese nationalist movement formed.

On February 28, 1947, a female cigarette vendor was beaten by KMT police for selling cigarettes without a permit. This singular event was the culmination of tensions between the KMT and Taiwanese public, who had been subject to significant harsh reforms since Chiang Kai-Shek’s leadership began in 1945. In retaliation to broad government overreach, riots broke out around the country. The Taiwanese leveraged this event to form a collective opposition to the KMT and on March 7th presented the KMT with their “32 Demands”, which included the introduction of opposition parties, open elections, and the protection of civil liberties.¹³¹ The KMT

¹³⁰ Ibid.

¹³¹ Thomas J. Shattuck. “Taiwan’s White Terror: Remembering the 228 Incident” *Foreign Policy Research Institute*. 27 February 2017. Accessed January 2018. <https://www.fpri.org/article/2017/02/taiwans-white-terror-remembering-228-incident/>.

responded mercilessly. What ensued is referred to as The White Terror, whereby thousands of Taiwanese intellectuals and dissidents were systematically disappeared, and opposition to the KMT was brutally repressed. Su Bing, a Taiwanese witness of the terror that ensued, as well as a historian, wrote of that day— “Letting the policeman lead the way, they [the KMT] searched every home, arrested any person they found on the street. Cutting off ears and noses of the arrested, amputating arm and legs, or pushing their victims off roofs, the Chinese soldiers went through the catalogue of massacres. Some people, bound together with several other people by wires pierced through their palms and ankles, were tied in a row, and were thrown into the Keelung Harbor.”¹³² Martial Law was installed in the nation, and persisted until 1987.

Upon democratization in 1987, the Taiwanese were free to discuss 2/28 for the first time. The trauma of the incident was so impressed upon the people of Taiwan, that many parents didn't tell their children of the event until 1987.¹³³ This is partly due to the culture of silence surrounding 2/28 that was enforced by the KMT, but also because Taiwanese culture, like many other East Asian cultures, values the concept of saving face. Traumatic events for nations that value the preservation of face, such as the Nanjing Massacre for the Chinese, or the exploitation of Comfort Women in Korea, are often embedded in significant shame, even though the shamed communities were victims, rather than perpetrators of violence.¹³⁴ The shame stems from failing to

¹³² Edmondson, “The February 28th Incident and National Identity.” 31.

¹³³ June Teufel Dreyer. “Taiwan’s Evolving Identity.” Paper presented at the Woodrow Wilson International Institute for Scholars, Washington D.C., July 17, 2003.

¹³⁴ Peter Gries. *China’s New Nationalism: Pride, Politics, and Diplomacy*. (Berkeley: University of California Press, 2004); Soh, C. Sarah. *The Comfort Women: Sexual*

protect their culture's dignity, either by preventing the atrocity, or overcoming it.¹³⁵

Although the ability of the Taiwanese to overcome their suppressors was extremely limited, this view explains how their culture of voluntary silence, as well as governmentally enforced silence, repressed 2/28 narratives, both formally and informally. Chiang Kai-Shek's death and Taiwan's subsequent democratization laid the groundwork for the Taiwanese to explore 2/28 and its meaning to their national identity.

2/28 and National Identity

What emerged out of democratization was a deep resentment for both Chiang Kai-Shek and the Mainland Chinese government. The Taiwanese began a significant reform process that aimed to eliminate many of Chiang's policies that represented "One China". Resentment against the two regimes (KMT and PRC) was coupled together and emerged as a massive 'de-sinicization' campaign, where cultural and political artifacts representing Chinese nationalism or Chiang's KMT rule were systematically dismantled. This de-sinicization process will be explored more in-depth in the following chapter, but my argument here is that these reforms were a function of an emerging national identity that, in addition to Chiang's KMT party, placed China as the "Other".¹³⁶ In claiming to represent the Chinese people as a whole, Chiang Kai-Shek's 30-year autocracy embedded within the Taiwanese a deep sense of

Violence and Postcolonial Memory in Korea and Japan. (Chicago: University of Chicago Press, 2008).

¹³⁵ S. Ting-Toomey. "Culture, Face Maintenance, and Styles of Handling Interpersonal Conflict: A Study in Five Cultures." *International Journal of Conflict Management* 2, no. 4 (1991): 275.

¹³⁶ He, "Identity Politics and Foreign Policy." 485.

nationalism, and central to this movement was 2/28. As Mainland China aimed to assert its control over Taiwan in the 1990s, the 2/28 narrative of atrocity that sparked the nationalist movement also fueled resentment and opposition against the PRC's perceived government overreach.

According to Richard Werbner, "subjected to buried memory, people do not so much forget as much as recognize—and often ever more forcefully—that they have not been allowed to remember."¹³⁷ In what he calls unfinished history, efforts to remember events that have been repressed by governmental or cultural forces are often equally resentful of the denial of memory as they are mournful of the actual event. This is very much true for the Taiwanese.

Chiang Ching-Kuo took up his father's mantle of KMT autocracy upon his death in 1978. This signaled the unraveling of single party government in Taiwan, but also opened the door for opposition movements, both political and apolitical in nature. While heavily repressed and officially illegal until democratization, the Taiwanese nationalist movement emerged during this period as a direct extension of 2/28 memorial efforts. Often, attempts to peacefully commemorate the atrocity and mourn the deceased were treated as riots by the KMT government. These movements became increasingly politicized as questions of Chiang Kai-Shek's personal involvement in 2/28 came into question. While previous government sanctioned narratives insisted Chiang's role was limited, groups began to contest that he did not send troops during

¹³⁷ Richard Werbner. 1998. "Smoke from the Barrel of a Gun: Postwars of the Dead, Memory and Reinscription in Zimbabwe." In Werbner, R (ed). *Memory and Post-colony: African Anthropology and the Critique of Power*, (London: Zed).

2/28 in a peacekeeping effort, but actually sanctioned the slaughter of individuals in order to subdue opposition.¹³⁸ In positioning Chiang Kai-Shek as a violent offender against the people he claimed to represent in all facets of identity, the Taiwanese people were threatening the entire premise upon which he governed. Similarly, by incorporating 2/28 into the ethnonationalist movement, the Taiwanese were chipping away at the legitimacy of the KMT, both presently and in the past.

As leaders in this movement became increasingly vocal and 2/28 events emerged as politicized events, an ethnic awakening began throughout Taiwan. The February 28th incident became the anchor point upon which the nationalist movement claimed its origin. As a reference point for grievances, 2/28 “historiciz[ed] current ethnic tensions and antigovernment sentiment.”¹³⁹ The goals of the nationalist movement were two-fold, democratization and independent statehood. For the Taiwanese, “the movement of Formosan self-determination has not been conceived as a political party movement, but has grown out of universal protest against exploitation experienced by one and all since 1945.”¹⁴⁰

During the same period, Taiwan’s legitimation as a separate state from Mainland China was steadily eroded. The nation was removed from its U.N. seat in 1972, and international leaders began to recognize PRC as the true representation of the Chinese state. Even the Japanese, who had historically designated ROC and PRC as separate states, removed Taiwan’s diplomatic recognition. Nixon’s visit to the PRC

¹³⁸ Edmondson, “The February 28th Incident and National Identity.” 31.

¹³⁹ Ibid. 35.

¹⁴⁰ Peng Ming-min. *A Taste of Freedom: Memoirs of a Formosan Independence Leader*, (New York: Holt, Rinehart, and Winston, 1972).

in 1978 solidified the mainland's growing significance across the globe and Taiwan's new role as a state without any diplomatic power.

As a movement that centered around the conception of the Taiwanese people as a unique and autonomous nation from all former and future colonizers, The Taiwanese nationalist movement simultaneously otherized the autocratic KMT and the Chinese mainland. Separate in objectives, but similar in methods of control, these 2 governments were viewed through the 2/28 lens—denial of identity and agency was responsible for the subjugation of the Taiwanese people. The nationalist movement was both domestic and international in nature, and attempts to undermine this movement were perceived as threats to nationhood.

At its core, this movement was a retaliation against the denial of Taiwanese identity and government repression of national autonomy. The mainland Chinese, much like Chiang's KMT, aimed to incorporate Taiwan into its existing Chinese framework, and their efforts to subdue Taiwanese identity appeared on 2 fronts—diplomacy and economic dependency. Through the eyes of the Taiwanese, PRC was simply aiming to make Taiwan another colonial exploit.

While Taiwan's lack of diplomatic recognition could not be easily overcome, economic dependence could more easily be controlled through internal policy initiatives. The next section will position the No Haste policies as a reflection of Taiwan's ceaseless attempts to reaffirm their own identity as a politically sovereign and economically autonomous nation.

No Haste and National Identity

While it can be argued that the No Haste policies were simply an attempt to reduce dependence on Chinese markets to establish a more varied economic framework, President Lee's rhetoric, as well as national identity surveys and newspaper coverage indicate that these policies were a function of nationalism. This section will explore the events that led to the emergence of these economic restrictions and situate them within a nationalist framework.

The No Haste policies were a direct response to the Taiwan Strait Crisis, but more broadly, encompassed grievances against the Chinese for their perceived government overreach. Obviously, Deng Xiaoping's Chinese leadership was not an extension of Chiang Kai-Shek's prior governance, but Chiang's indoctrination process ensured that the Taiwanese people viewed Chiang and the KMT as representative of the Chinese and their leadership. The KMT had presented the Taiwanese people with an 'other' that had allowed the Taiwanese to conceive of their separate ethnic identity, and that 'other' was China. This antagonistic relationship was solidified through the Taiwan Strait Crisis, which occurred in response to a speech by President Lee in 1995. The chain of events that occurred thereafter, reinforced the Taiwanese conception of national identity.

The Taiwan Strait Crisis was the direct result of Lee's June 9, 1995 speech at Cornell titled "Always in My Heart". Lee was the designated commencement speaker at his alumni reunion, and while he began his speech reminiscing on his experiences at Cornell, the majority of his speech focused on the "Taiwan Experience," which highlighted his preference for Taiwanese independence. Within his 10-minute speech, Lee referenced Taiwan as its own separate nation 41 times and repeatedly emphasized

the incompatibility of democracy and communism--- an allusion to China.¹⁴¹ In addition, he highlighted the difficulty Taiwan faced in developing relationships with other nations in light of Taiwan’s dismissal from the U.N. The most contentious moment of the speech occurred in his conclusion, where he famously said, “some say that it is impossible for us to break out of the diplomatic isolation we face, but we will do our utmost to demand the impossible.”¹⁴²

On July 24, 1995, a response to Lee’s speech was issued by China Daily, the official Communist Part of China (CPC) news outlet. In this response, the CPC chastised Lee because he “advocated splitting the motherland”. The CPC asserted that he was ‘peddling his ideas’, that he was ‘cast[ing] off his disguise’ and his rhetoric was a ‘perverse act of betraying national interest’.¹⁴³

Both Lee’s speech, and the CPC’s rebuke framed the disagreement between Taiwan and China as an issue of sovereignty and unification, not of economic imperative. So, while the subsequent economic restrictions did additionally serve to aim at reducing Taiwanese dependence on Chinese markets, rhetoric by both the Taiwanese and Chinese indicate that this disagreement was a national identity issue at its core, and that economics were simply an extension of identity construction.

¹⁴¹ “Appendix 80—President Lee Tenghui Cornell Commencement Address (1995),” *East Asia Peace and Security Initiative*. Accessed February 6, 2018. https://www.eapasi.com/uploads/5/5/8/6/55860615/appendix_80_-_president_lee_tenghui_cornell_commcement_address.pdf

¹⁴² *ibid.*

¹⁴³ “Lee Betrays Cause of Reunification” *China Daily*, June 24, 1995. Accessed February 6, 2018. http://www.chinadaily.com.cn/epaper/html/cd/1995/199507/19950724/19950724004_1.html

To what extent did Lee conceive of these economic restrictions allowing the Taiwanese to gain international recognition as a separate state? From an international perspective, the likelihood of Taiwan gaining international diplomatic recognition or independence through these efforts was small. China's position within the global economy and its insistence that states choose between a relationship with PRC or Taiwan, carried significant leverage, even for states that carried 'under the table' allegiance to Taiwan, such as the United States.¹⁴⁴ Much like Taiwan, the rest of the world's economy was becoming increasingly dependent on Chinese labor markets, and this dependence bred de-facto compliance with China's diplomatic demands. However, I argue that recognition was not the goal of these policies. In keeping with the idea of ontological security, establishing a firm concept of national identity was not dependent on accomplishing independence or diplomatic recognition. China's military actions and rebuke of national rhetoric represented an encroachment on the Taiwanese people's conception of their national Self. The Taiwanese were escaping the shame associated with China's control and manipulation efforts, and by removing China's most prominent control over the island—economic domination, the Taiwanese were reestablishing control of their nationhood.

Ontological security rests on the assumption that states are able to act in ways that preserve agency. "Actors might not be able to 'free' themselves from international context, but they can free their Selves from routines which ultimately damage their self-identity"¹⁴⁵ Through this lens, interactions with other states become secondary to

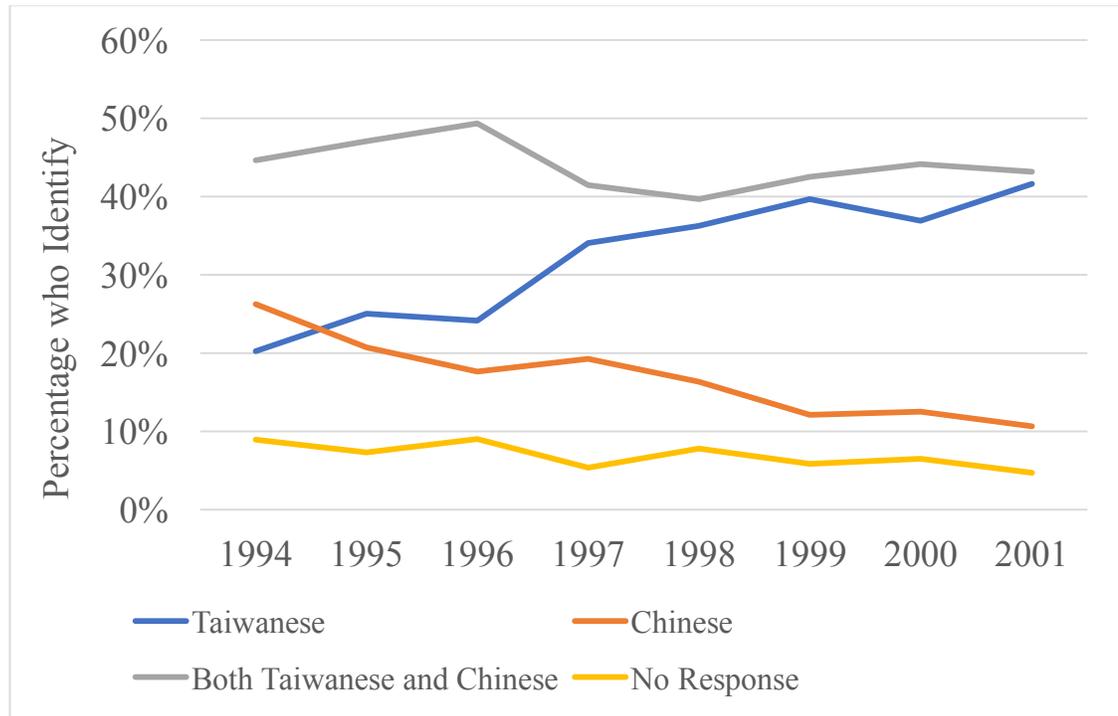
¹⁴⁴ David W. Chang. "U.S. Aid and Economic Progress in Taiwan." *Asian Survey* 5, no. 3 (1965): 152-60.

¹⁴⁵ Steele, *Ontological Security in International Relations*. 5.

self-preservation. The No Haste policies were internal efforts by the Taiwanese government to re-establish a firm national identity. Affirmation from other states was not necessary, because these policies were concerted efforts to protect the Taiwanese people from their own perceptions of dependence.

Figure 3 below indicates responses to national identity surveys given by the Election Study Center at National Chengchi University in Taiwan. A random phone survey was administered every year to roughly 1,000 Taiwanese citizens, and respondents were asked to choose how they most identified themselves—as exclusively Taiwanese, exclusively Chinese, or Chinese and Taiwanese. During this time period, the proportion of those who identified most strongly as Taiwanese consistently increased, from 20.2% in 1994, to 41.6% in 2001. The sharpest increase in Taiwanese identity occurs between 1996 and 1997, by 9.9 percentage points. This time frame coincides with President Lee’s National Development Conference and the implementation of the No Haste policies. While these statistics alone in no way prove causality, the correspondence along the same timeline lends to the narrative that ontological security drove policymaking. For the duration of No Haste, those who identified most strongly as Chinese continued to plummet—from 26.2% in 1994 to 10.6% in 2001.

Figure 3 Taiwanese Changes in Identity, 1994-2001



Source: Election Study Center, NCCU Taiwanese/Chinese Identity Survey Results, 1992–2001

According to realist and liberal theories of political economy, the impact of lower total FDI levels would result in the Taiwanese loosening their political positions on Taiwanese nationhood, because capital and economic gains shape policy goals. Instead, the projection of a uniquely Taiwanese identity inversely correlates with FDI levels. While the largest plummet in total FDI occurred between 1997 and 1998, Taiwanese identity steadily increases during this period, and the divergence between Taiwanese and Chinese identity continuously grows in subsequent years. Similarly, the percentage of those who view their national identity as both Taiwanese and Chinese is at its largest in 1996, but begins a path towards convergence after the NDC and No Haste Policies.

This data is significant, because in regard to ethnicity, only 2.3% of Taiwanese citizens are ethnically aboriginal Taiwanese. Conversely, more than 95% of Taiwanese are ethnically Han Chinese.¹⁴⁶ This indicates that although an overwhelming majority of Taiwanese citizens cannot claim aboriginal Taiwanese ethnicity, they construct their identity in a way that removes themselves from their Han Chinese heritage. Taiwanese identity then is almost entirely made up of individuals who view their Taiwanese heritage as their most salient national identity.

Chen Shui-Bian and Liberalization

As previously outlined, Chen Shui-Bian's presidency signaled a shift in Taiwan's China policy. While this can be seen as a function of simple cost-benefit analysis, whereby the financial consequences of protectionism led to reversing prior policies, I argue that it is also a result of changing national identity. Because identity is socially constructed, it shifts over time in relation to changing priorities and in response to one's environment. Similarly, the relevance of the relationship between Taiwan and China in relationship to Taiwanese goals for their nation also varies in salience over time.

Chen Shui-Bian's rhetoric indicates that his perception of Taiwan-China relations was similar to Lee Teng-Hui's, but his operationalization of his conception of Taiwanese identity resulted in a radically different approach to economic relations. Chen won the presidency in 2000 under the Democratic People's Party (DPP). While Lee's policies and his speech at Cornell in 1996 might indicate that his KMT party

¹⁴⁶ "Taiwan Demographics Profile 2018," Index Mundi, January 20, 2018. Accessed February 12, 2018 https://www.indexmundi.com/taiwan/demographics_profile.html.

was progressive in understanding Taiwan's independent status, the DPP ran on a platform more progressive than the KMT, and won significant support due to their insistence on a separate, sovereign Taiwanese state. In fact, the DPP party emerged as a direct off-shoot of the nationalist movement. The DPP and nationalist movement were so intertwined that "Remember 2/28. Vote for DPP" became a prominent slogan for the party¹⁴⁷. It is perplexing then that Lee's and Chen's party affiliations do not directly correlate to similar economic policies that assert independence from China. However, a shift in their understanding Taiwanese national identity offers an explanation for this phenomenon.

As Taiwan's economy expanded and globalization emerged as a defining factor in global economic processes, economic growth and financial success became a critical component of Taiwanese identity. Identity is multi-faceted, thus incorporating economic imperatives into the Taiwanese national conception of selfhood did not necessitate the abandonment of sovereignty or independence. Rather, a more complex group identity was developed, where economic growth and an autonomous national identity could coincide without cognitive dissonance. Psychological theories on intergroup conflict support this hypothesis. According to Marilyn Brewer, "the potential for intergroup conflict may be reduced in societies that are more complex and differentiated along multiple dimensions that are cross-cutting rather than perfectly correlated."¹⁴⁸

¹⁴⁷Edmondson, "The February 28th Incident and National Identity." 31.

¹⁴⁸Marilynn B. Brewer. "The Psychology of Prejudice: Ingroup Love and Outgroup Hate?" *Journal of Social Issues* 55, no. 3 (1999): 429-44.

In 2001, President Chen held the Economic Development Advisory Conference (EDAC) in order to reassess Taiwan's economic positions and policies in both domestic and international issues. Despite his party's allegiance to independence, and his previous writings insinuating a deep commitment to Taiwanese sovereignty, Chen closed his EDAC conference with a stark shift in policy towards the Chinese. "...with regard to the further development of cross-strait relations, the ROC government will use the four principles of 'Taiwan first,' 'global perspectives' 'mutually beneficial win-win situation,' and 'sound risk management' to replace the current 'patience over haste' policy with one of vigorous liberalization and effective management."¹⁴⁹

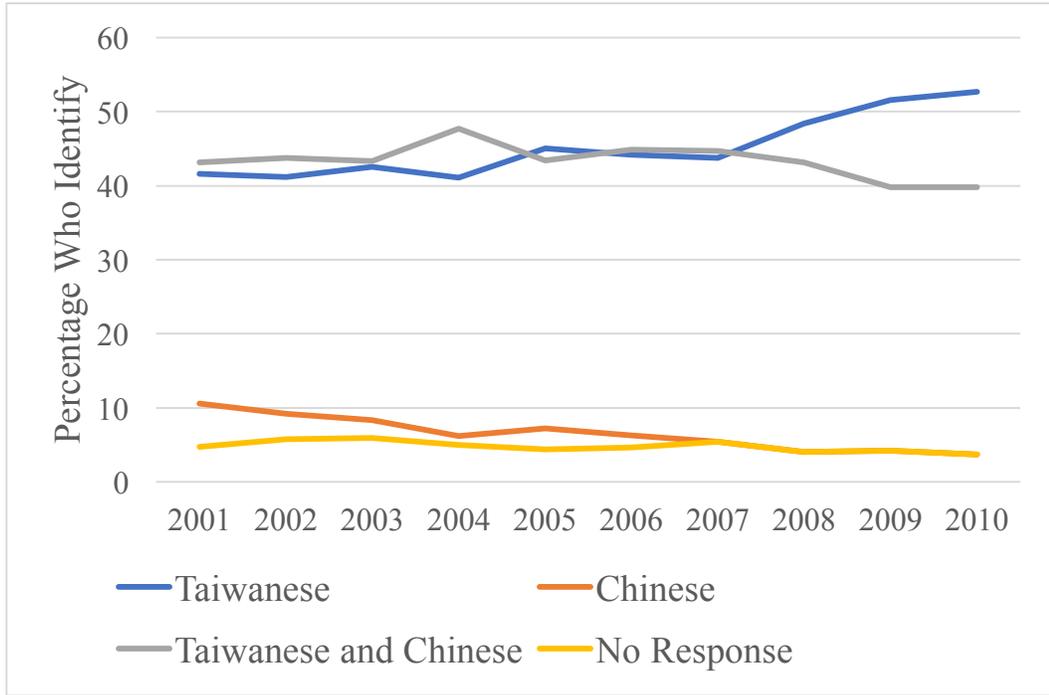
Much like Lee's NDC conference 6 years prior, the EDAC consisted of a wide range of influential economic and political individuals, and his policies found majority support in the legislature. Chen's narrative did not indicate a departure from DPP party commitments, as the DPP continued to promote Taiwanese independence. Instead, I argue that this shift in economic policies indicates that economic success became a more salient characteristic of Taiwanese national identity, and the Taiwanese responded by incorporating both sovereignty and economic growth into their conception of national self.

Increasing the scope of the National Chengchi University statistics previously used in this chapter also lends to this narrative. Upon Chen's inauguration in 2000, Taiwanese identity remained high and consistent, in comparison to its previous

¹⁴⁹ Office of the President, Republic of China (Taiwan). August 26, 2001. "President Chen's Remarks at the Closing of the EDAC." Accessed January 15, 2017. <http://english.president.gov.tw/NEWS/755>

measures in years past. The liberalization policies were not accompanied by a drop in Taiwanese identity because these policies were incorporated into the existing narrative of what it meant to be Taiwanese.

Figure 4 Changes in Taiwanese Identity, 2001-2010



Source: Election Study Center, NCCU Taiwanese/Chinese Identity Survey Results, 2001-2010.

Instead, these surveys indicate that Chinese identity consistently declines throughout this period, with the largest discontinuity occurring in 2014, with a difference of 57.1 percentage points, when economic liberalization with China had been a mainstay policy for 13 years. Since Lee’s NDC conference in 1996, there has been absolutely no indication that Chinese and Taiwanese identities will converge. A strictly Taiwanese identity has emerged as the most prominent national identity, despite continued trends towards economic liberalization.

Conclusion

Literature on nationalism and identity politics provides a thorough framework for understanding Taiwanese political economy decisions since democratization. The emergence of a strong nationalist movement rooted in postcolonial grievances has shaped national security and economic decision-making.

National identity surveys, combined with rhetoric of both Taiwanese presidents, indicate that the Taiwanese leaders, as well as the broader Taiwanese public, found an increasingly stronger Taiwanese identity amid stringent economic policies that disproportionately harmed their own nation between 1997 and 2001. This furthers the assumption that the Taiwanese were willing to sacrifice material wellbeing in order to preserve national identity.

The shift towards economic liberalization after Chen Shui-Bian's election in 2000 does not indicate a divergence from this hypothesis. Taiwanese assertions of a separate identity steadily increased during this period, and even held at higher levels than during the peak of No Haste policies. This is because the flexible nature of identity allows individuals and groups to incorporate new priorities into existing identity frameworks.

The following section will explore democratization and how it has operated as a mechanism for the development of the nationalist movement in Taiwan. I assert that Taiwan's democratization process has provided a framework for the Taiwanese to develop a strong sense of national identity and that democratic institutions encourage shifts in national identity over time in response to international and domestic circumstances.

Chapter 3: Democratization

The previous chapters have outlined the ways in which national identity and its social construction served as the justification for Taiwanese protectionist FDI policies between 1997 and 2001. Taiwan's nationalist movement was critical in informing the No Haste policies, so understanding the mechanisms that facilitated the nationalist movement is helpful for evaluating the way identity can shape policy. The nationalist movement emerged out of Chiang Kai-Shek's death and Taiwan's subsequent democratization process. In this chapter, I argue that democratization was a key foundational component to the emergence of a national identity and that the nature of democracy enabled the Taiwanese to both conceive of their unique Taiwanese identity, and to create social and political institutions that reinforced it. This chapter will begin by examining literature on the intersection of democratization and nationalism and then move to exploring Taiwan's democratization experience. I then identify specific domestic political movements that were enacted in response to emerging national identity and relate the creation of these policies to Taiwan's broader nationalist movement, and the No Haste Policies specifically.

Democracy and Nationalism

At the core of democracy is the concept that "government can be legitimated only by the will of those whom it governs."¹⁵⁰ However, all nations must reconcile definitional issues of who constitutes the polity. In order for democracy to succeed, it is necessary for a nation of individuals to conceive of themselves as of the same

¹⁵⁰ G. O. Nodia "Nationalism and Democracy." *Journal of Democracy* 3, no. 4 (1992): 3-22.

nationality and willingly subject themselves to a common governance model. In addition, states themselves must define what criteria must be met for individuals to become full citizens. Countries have a vast array of differing policies towards immigrants, naturalization, and integration requirements, meaning that there is not an inherent method for determining membership.¹⁵¹ In this way, democracy is socially constructed, because it depends on an entirely subjective idea of who “We the People” are.¹⁵²

In addition, the political process within democratic states deviates from rationality, namely because political decision-making is conceived of by human beings, whose motives and priorities are often bound outside of cost-benefit analysis.¹⁵³ It becomes apparent by simply observing democracy in the United States, or any other democracy, that political decision makers often act outside of market model decision-making. If deviance from rationality is the norm, perhaps it is important to reexamine the way we understand policymaking in democracies. Because societal objectives are not bound by objective definitions of right and wrong, analysis of decision-making must also be framed in relation to how a state constructs its self-interest.¹⁵⁴ Deborah Stone proposes an alternative lens for examining political decision-making in democratic states—“A model of political reason ought to account

¹⁵¹ Rainer, Bauböck, Eva Ersbøll, Kees Groenendijk, and Harald Waldrauch. "INTRODUCTION." In *Acquisition and Loss of Nationality: Volume 1: Comparative Analyses: Policies and Trends in 15 European Countries*, edited by Bauböck Rainer, Ersbøll Eva, Groenendijk Kees, and Waldrauch Harald, 15-34. Amsterdam: Amsterdam University Press, 2006. <http://www.jstor.org/stable/j.ctt46mw34.5>.

¹⁵² Deborah A. Stone *Policy Paradox: The Art of Political Decision Making*. Rev. ed. New York: Norton, 2002.

¹⁵³ Ibid.

¹⁵⁴ Ibid.

for the possibilities of changing one's objectives, or pursuing contradictory objectives simultaneously, of winning by appearing to lose and turning loss into an appearance of victory, and most unusual, of attaining objectives by portraying oneself as having attained them."¹⁵⁵ This model does not presume an optimal set of democratic objectives, but understands that the democratic framework inherently promotes and reflects the fluidity of changing societal values. In this way, the deviance from standard decision-making criteria is simply the reframing of priorities by individuals or societies. When democracy and nationhood are enforced through social construction, it is impossible to posit a firm reference point of rationality. Instead, understanding a nation's intentions and goals is best done by examining how individuals within the nation construct their identities in relation to others, both within the nation and outside. Cost-benefit analysis based on a static set of objectives fails to capture the nuance involved in decision-making.

Due to the fluid nature of democracies and each state's differing construct of citizenship, it becomes apparent that nationalism and democracy are "joined in a sort of complicated marriage, unable to live without each other, but co-existing in an almost permanent state of tensions."¹⁵⁶ Through this lens, democracies can be viewed on a continuum, where the relationship between perceived homogeneity and democracy vary in relation to a nation's definition of citizenship. Democracies in which all legitimacy rests on shared ethnicity have historically been susceptible to

¹⁵⁵ Ibid.

¹⁵⁶ Nodia, "Nationalism and Democracy."

repressing minorities, and therefore violate a core tenet of democracies—equality.¹⁵⁷ However, a state cannot exist without its members conceiving of themselves as members of a state, thus it is impossible to rid the populous of an inherent sense of linked fate. Democracy and national identity then become mutually constitutive, where each necessitates and reinforces the other.

The following section will explore Taiwan's democratization experience and highlight prominent components of Taiwan's civil society that became significant in their governing system after 1987. I ultimately argue that the democratization process fully facilitated the Taiwanese nationalist movement and that the reform initiatives that emerged out of the process reflect the Taiwanese peoples' attempts to reclaim and reestablish a national identity. Further, I assert that much like domestic policies, the No Haste policies were also an extension of the Taiwanese' attempt to build a national identity based on an autonomous culture, separate from the nation's history of subjugation.

Democratization in Taiwan

While the term "Taiwan Miracle" refers to Taiwan's economic growth experience, it is also appropriately applied to its peaceful democratic transition to a multi-party system. As previously described before, the KMT autocratically ruled the Taiwanese people for almost 5 decades prior to democratization. Its transition is uncommon, in that many other nations exhibiting similar transitions during the third wave of democracy failed to exhibit similar levels of stability and peace after

¹⁵⁷S. Smooha. "The Model of Ethnic Democracy." *Nations and Nationalism*. 8, no. 4 (2002): 474-503.

transitioning.¹⁵⁸ This section will explore why Taiwan was able to smoothly transition into democracy, and why the KMT were willing to loosen their control on governance.

Central to Taiwan's democratization was the shift in the KMT's position towards domestic society and opposition politics. In 1987, opposition parties were legalized, signaling a release on the monopoly of power by the KMT. Why were the KMT willing to loosen their governmental control in Taiwan after almost 50 years of autocratic leadership?

The KMT led the Taiwanese through exponential economic growth during their reign of leadership until democratization. While their governance style was often repressive, and memories of the White Terror lingered among older Taiwanese, citizens at the same time acknowledged that the KMT were also partly responsible for the increasing income and improved livelihoods of the Taiwanese people. By the 1970s, Taiwan had a burgeoning middle class and a quality infrastructure system.¹⁵⁹ The KMT had helped ensure economic growth and national prosperity was a prominent value within Taiwanese culture.¹⁶⁰ However, during the 1970s, Taiwan experienced a series of diplomatic setbacks, as the nation's seat in the UN was removed, and President Nixon's visit to PRC solidified Taiwan's isolation.¹⁶¹ Through this lens, the KMT's willing release on their monopoly of power is reconcilable. In

¹⁵⁸ Richard Rose, and Doh Chull Shin. "Democratization Backwards: The Problem of Third-Wave Democracies." *British Journal of Political Science* 31, no. 2 (2001): 331-54.

¹⁵⁹ Daniel Lynch. "Taiwan's Democratization and the Rise of Taiwanese Nationalism as Socialization to Global Culture." *Pacific Affairs* 75, no. 4 (2002): 557-74. doi:10.2307/4127346.

¹⁶⁰ Ibid.

¹⁶¹ Inis L Claude. "Collective Legitimization as a Political Function of the United Nations." *International Organization* 20, no. 3 (1966): 367-79.

transitioning to democratization, the KMT party could improve the island's stature with Western nations, and the US specifically, which heavily emphasized the importance of democracy during the Cold War era.¹⁶² Democratization would put Taiwan in stark contrast to China, and potentially lead to diplomatic recognition in the future. Similarly, transitioning to democracy would improve their economic standing and attract more investors by increasing transparency, which could lead to more global recognition.¹⁶³

While the KMT demonstrated the ability and willingness to loosen their grip on autocratic power, Taiwanese society had a civic culture that was critical to ensuring the peaceful transition into a multi-party democracy. The democratic process was an evolutionary one for the Taiwanese. Opposition parties were first legalized in 1986, but prior to their formalization, Taiwan held elections for local officials in the county and city levels, such as city councilmen and small-town mayors.¹⁶⁴ The KMT permitted these elections because they saw them as opportunities to mobilize support for their regime. In addition, the KMT felt little threat to their control because they seldom faced serious challenges in these elections. The KMT party had enough political power and financial backings to effectively combat opposition through both legal and corrupt methods.¹⁶⁵ In addition, a small percentage of national legislative

¹⁶² Nina Caspersen. "Democracy, Nationalism and (Lack of) Sovereignty: The Complex Dynamics of Democratisation in Unrecognised States." *Nations and Nationalism* 17, no. 2 (2011): 337-56.

¹⁶³ Tien Hung-mao. "Elections and Taiwan's Democratic Development." In "Taiwan's Electoral Politics and Democratic Transition: Riding the Third Wave" edited by Hung-mao Tien. (New York: East Gate, 1996).

¹⁶⁴ Ibid.

¹⁶⁵ *ibid.*

seats were opened for electoral competition in 1972. So, the Taiwanese had the semblance of a framework for democracy prior to the legalization of opposition parties. In addition, the democratic process was evolutionary, in that it wasn't until 1992 that all legislative seats were subject to electoral competition.¹⁶⁶ Presently, the elected president still appoints the Legislative Yuan, the leader of the legislature. In this way, Taiwan's democratization experience is truly Taiwanese and not imported from Western nations. In addition, the pacing of the transition ensured that the Taiwanese could also develop the proper civic culture and frameworks for democracy as their nation slowly incorporated new aspects of democracy into their government. By slowly transitioning into a full democracy, the KMT party had time to adapt its party platform to garner significant public support, rather than face a sudden death upon immediate liberalization. As seen in Lee Teng-hui's stances and his famous speech at Cornell, the KMT was able to shift its party platform in a way that emphasized Taiwan's sovereignty and unique identity—a message that increasingly rang true for many Taiwanese. There emerged divisions within the KMT between those who still maintained that the primary role of the government was to seek reunification with PRC and those who had a progressive understanding of Taiwan as a sovereign state. These divisions mainly occurred between younger and older generations, with the older generations preferring reunification, and persist even today.¹⁶⁷ This division simplified the KMT's ability to transition into democracy,

¹⁶⁶ *ibid.*

¹⁶⁷ Alan Wachman. *Taiwan: National Identity and Democratization* (London: East Gate, 1994), 19-20; Mclean-Dreyfus, Marie-Alice. "Taiwan: Is There A Political Generation Gap?" *Lowy Institute* 9 June 2017. <https://www.lowyinstitute.org/the-interpreter/taiwan-there-political-generation-gap>.

because the older party members were easier to phase out of political office. While the KMT's position towards national history and trade liberalization was often more conservative than the DPP, the KMT was able to incorporate itself into the democracy model, preventing the party from becoming obsolete. Numerous other nations during this same time period transitioned to democracy, many with significantly less success than Taiwan, indicating that domestic politics mattered and that creating a democracy from within a society rather than simply importing a new government style helped ease Taiwan's transition.

What helped facilitate Taiwan's vibrant civic culture? Daniel Lynch argues that, more broadly, Taiwan's increasingly globalized economy and interactions with other nation-states acted as a socialization tool to encourage the importation of democracy through engaged citizens.¹⁶⁸ Notably, Taiwanese children began to be widely educated in Western nations in the 1960s. By experiencing the culture and civil society of other nations, these students began to compare the Taiwanese governance model to that of their Western counterparts, and the United States specifically. Students studying abroad were exposed to the civil rights movement, as well as anti-government and feminist movements. Exposure to opposition movements positioned many Taiwanese students to view their homeland in a different light, as well. These students came to see that "in many ways, Taiwan was a classic imperial outpost."¹⁶⁹ Exposure to Western norms help facilitate the diffusion and localization of these norms into Taiwanese society in ways that allowed the Taiwanese to fully adopt them

¹⁶⁸ Lynch, "Taiwan's Democratization."

¹⁶⁹ Ibid, 565.

as their own and then facilitate movements that adhered to their new understanding of global society.¹⁷⁰

An increased awareness of global inequalities and exposure to protest movements helped facilitate a strong protest culture in Taiwan, too. The period between Chiang Kai-shek's death and formal democratization was marked by a variety of protests, some of the most prominent being student protests in universities advocating for the liberalization of university regulations.¹⁷¹ The importance of this protest culture is highlighted by the fact that of the 9 Asian countries that democratized during the third wave of democracy, 8 of them had strong protest cultures as well.¹⁷² While some theories of democratization highlight the importance of economic progress, colonial experiences, and religious backgrounds in facilitating successful democracies, it seems that the strongest indicator for transition in Asia during the third wave was a protest culture that was nationwide, supported by the middle class and refused to relent until demands were met.¹⁷³

In addition, Lynch argues that Taiwanese students abroad were also exposed to the Sino-centric view of Chinese history that dominated many Western understandings of East Asia. For old historians, China was simply “a concept of convenience” that homogenized the multiplicity of cultures and experiences in East Asia—and for

¹⁷⁰ Amitav Acharya. “How Ideas Spread: Whose Norms Matter? Norman Localization and Institutional Change in Asian Regionalism.” *International Organization* 58, no. 2 (2004): 239-75.

¹⁷¹ Junhan Lee. "Primary Causes of Asian Democratization: Dispelling Conventional Myths." *Asian Survey* 42, no. 6 (2002): 821-37.

¹⁷² Ibid.

¹⁷³ *ibid.*

Taiwanese students, diminished the individuality of their people.¹⁷⁴ So, while education outside their homeland provided these Taiwanese students with a broader understanding of their culture through socialization and unveiled the inequalities that were deeply rooted into Taiwanese society at the hands of the KMT, students were also exposed to the ways that western culture had also diminished the significance of Taiwan in favor of a homogenized conception of China. Their awareness helped facilitate an active civic culture that became so central to Taiwan's reform process.

In conclusion, Taiwan's democratization experience was facilitated by a multitude of factors that resulted from the nation's increasing global prominence and interactions with democratic states along economic and diplomatic lines, as well as the socialization of Taiwanese citizens in cultures immersed in various opposition movements, allowing Taiwanese to understand their own culture, history, and experiences in light of colonization. These factors were critical in ensuring that democratization wasn't simply imported, but fully embraced by the Taiwanese people as method for asserting and exploring their national identity.

The following sections will explore the avenues in which Taiwanese citizens leveraged their political system to further their goals to develop a national narrative surrounding Taiwan as a separate and valuable culture. These reform processes furthered that nationalist movement in Taiwan, but they are fully a byproduct of their democratization process and the norms and institutions that were a function of it.

“De-Chiang Kai-Shek-ification”

¹⁷⁴ Lynch, “Taiwan's Democratization.”

The KMT regime rested largely on the personality of Chiang Kai-Shek. In fact, the first statue of Chiang emerged just 192 days after the island was ceded to China after Japan's loss in WWII.¹⁷⁵ Prior to exile to Taiwan, Chiang's efforts to legitimize his Chinese nationalist party centered around himself, as the embodiment of Chinese culture and Confucian values.¹⁷⁶ His efforts were fortified through social organizations that idolized Chiang and his wife as "China's first couple".¹⁷⁷ As many within China sought a charismatic, strong leader, Chiang's image fit their expectations, and they reinforced it through propaganda.¹⁷⁸ Central to the narrative surrounding Chiang was his position as "Asia's man of destiny", in that Chiang claimed to embody what the new future of China would be.¹⁷⁹ So upon his exile to Taiwan, the nation simply became the "island of destiny", whereby Chiang would patiently wait until he could return to the Mainland and reclaim his mantle of leadership.¹⁸⁰ Upon Taiwan's retrocession to Chiang's nationalists, Chiang and his followers simply leveraged existing artists and sculptors within Taiwan to create works of art made in Chiang's image. The KMT government then created the General Political Department, which

¹⁷⁵ Stephane Corcuff. "The Symbolic Dimension of Democratization and the Transition of National Identity Under Lee Teng-Hui" in *Memories of the Future: National Identity Issues and the Search for a New Taiwan*, edited by Stephanie Corcuff, 73-101. New York: East Gate, 2002.

¹⁷⁶ Jeremy E. Taylor. "The Production of the Chiang Kai-Shek Personality Cult, 1929-1975," *China Quarterly* 2006, no. 185 (March 2006): 96-110

¹⁷⁷ *ibid.*

¹⁷⁸ *ibid.*

¹⁷⁹ Jeremy E. Taylor and Grace C. Huang. "'Deep Changes in Interpretive Currents': Chiang Kai-shek Studies in The Post-Cold War Era." *International Journal of Asian Studies* 9, no. 1 (01, 2012): 99-121, <https://search-proquest-com.ezproxy.lib.ou.edu/docview/1030093579?accountid=12964> (accessed March 9, 2018).

¹⁸⁰ *Ibid.*

was responsible for texts and artworks honoring Chiang and his leadership over the island. The images and rhetoric that emerged surrounding Chiang placed him as a figure who “never aged and whose tenure was permanent and unchanging.”¹⁸¹ This provided Chiang’s leadership with a mythical-like quality, insinuating that his leadership was bounded outside of time. The idea that his leadership transcended time helped ensure that “Chiang’s name and image became fixtures in state rituals, items of government pageantry with a significance equivalent to that of the national flag or anthem.”¹⁸² So, while Chiang and his wife welcomed their glorification, their efforts were legitimized by a small supportive group of idolizers, as well as artists who were unwilling participants in Chiang’s projection of god-like-ness. In addition, Chiang’s self-projection as a leader who transcended time solidified his image as a leader that encompassed more than just a government position. His suppression of opposition ensured a singular narrative surrounding his governance, thus exposing the Taiwanese to a singular, unified definition of Chiang’s role in Taiwan.

Chiang’s death in 1975 positioned his son, Chiang Ching-kuo to take over his leadership role. Ching-kuo reaffirmed his father’s personality cult by printing his portrait on banknotes and erecting the Chiang Kai-Shek Memorial Hall in Taipei.¹⁸³ Roads, buildings, and holidays were dedicated in honor of Chiang. In addition, Ching-kuo created the China Youth Corps, a national group consisting of schoolchildren, which encouraged public acts of patriotism to honor Chiang.¹⁸⁴ Ching-kuo’s efforts to

¹⁸¹ Taylor, "The Production of the Chiang Kai-Shek Personality Cult"

¹⁸² *ibid.*

¹⁸³ *ibid.*

¹⁸⁴ *ibid.*

memorialize Chiang Kai-shek ensured that a cult of personality developed around the Chiang Kai-shek—not just the office of the presidency.¹⁸⁵

As noted previously, democratization in 1987 enabled the Taiwanese to explore their national identity freely for the first time. As an extension of this, discussions of Chiang's role in 2/28, as well as his suppression of Taiwanese culture, led many Taiwanese to question his prominence in public spaces. But, the process of reassessing the cult of personality surrounding Chiang was slow.¹⁸⁶ In fact, for the first year of Lee Teng-hui's presidency, Lee still led efforts during Taiwan's National Day to commemorate Chiang's successes as a military leader, and actually reintroduced military parades, which had not been used in almost a decade.¹⁸⁷ However, as Lee's presidency carried on, references to Chiang slowly disappeared, and by 1996 there were no references to Chiang during Taiwan's National Day celebration.¹⁸⁸

Efforts to reevaluate Chiang's role in Taiwan's history were led by multiple groups, including civic groups and the competing political parties. The KMT and DPP had differing views of how Chiang's memory should be handled. The KMT held a more conservative view, and aimed to protect Chiang's historical legacy, while the DPP insisted on the removal of all references to Chiang. Civic organizations held an array of positions, and many of the issues the groups centered around issues that, although not directly organized around opposition to Chiang's legacy, addressed grievances that were in direct relation to Chiang's leadership, and advocated for

¹⁸⁵ Corcuff, "The Symbolic Dimensions of Democratization."

¹⁸⁶ *ibid.*

¹⁸⁷ *ibid.*

¹⁸⁸ *ibid.*

positions that diminished Chiang's legacy on the island. Some of these movements included the Human Rights Promotion Association, which championed the rights of political prisoners from Chiang's era of authoritarian rule and his suppression of dissidents.¹⁸⁹ Similarly, the Hakka Rights Movement centered around the provision of more indigenous rights and recognition in Taiwan. During Chiang's rule, the Hakka were systematically denied aspects of their culture, including their language and historical traditions, by Chiang's narrative of Chinese nationalist identity.¹⁹⁰ While differing in objectives and degree of opposition to Chiang, the formal political parties, as well as a variety of civil organizations, all advocated for the reappraisal of Chiang's legacy on the Taiwanese people. This process of reexamination came to be known as QuJianghua, interpreted as "de-Chiang-Kai-Shek-ification".¹⁹¹

Chiang's decreasing prominence in Taiwanese society was also indicated by the transfer of the national holiday celebrating Chiang's birthday on October 31. Instead of being observed consistently on the 31st, as had historically been done, the holiday was moved to the last Saturday in October to avoid a loss in worker productivity during the year.¹⁹² This transition was symbolic of the decreasing prominence of Chiang in modern Taiwanese society, and indicated that honoring Chiang was more a function of ritualization rather than dedication to his memory.

¹⁸⁹ Michael Hsin-Huang Hsiao. "Emerging Social Movements and the Rise of a Demanding Civil Society in Taiwan." *The Australian Journal of Chinese Affairs* 24 (1990/07/01 1990): 163-80.

¹⁹⁰ Ibid.

¹⁹¹ Jeremy E. Taylor "QuJianghua: Disposing of and Re-appraising the Remnants of Chiang Kai-shek's Reign on Taiwan." *Journal of Contemporary History* 45, no. 1 (2010): 181-96.

¹⁹² Corcuff, "The Symbolic Dimensions of Democratization."

While this did not represent the total abolishment of Chiang's role in Taiwanese history, it did point to the destruction of his personality cult.

Out of the Taiwanese' efforts to re-evaluate Chiang's legacy on their nation, there emerged two main approaches that activist groups and the government took in reassessing public spaces once dedicated to the ruler. The first approach was to 'return to the people' spaces once dedicated to the memorialization of Chiang, and the other was to erase all references to Chiang Kai-shek, in order to reestablish a new Taiwan-centric form of national identity. These different methods of managing Chiang's legacy indicate the differing views towards his role in national history. The difference in these methods of reform highlight the democratic nature of the process, as activist organizations and the competing parties within the legislature disagreed on how the transformation should operate.

An example of the first approach of reexamining Chiang's legacy was Chen Shui-bian's efforts as mayor of Taipei to turn Chiang Kai-Shek's personal residence into a public park and museum in 1996.¹⁹³ This was symbolic of the democratization process, in that it allowed the Taiwanese people to explore and determine for themselves the meaning of Chiang's legacy by positioning artifacts of his leadership and personal life within the public sphere. In contrast, prior to democratization, "Chiang did not qualify as a critical topic of academic study."¹⁹⁴ The museum represented an attempt by Chen to facilitate a national discourse on Taiwan's own

¹⁹³ Taylor, "QuJianghua: Disposing of and Re-appraising the Remnants of Chiang Kai-shek's Reign on Taiwan."

¹⁹⁴ Taylor and Huang, "Deep Changes in Interpretive Currents: Chiang Kai-shek Studies in The Post-Cold War Era."

history and reclaim a past that had been monopolized by colonialism. As an example of the latter method of reappraising Chiang Kai-shek, in 1994 a road in Taipei named after Chiang was rededicated as Ketagalan Boulevard, the name of an indigenous tribe.¹⁹⁵ This was completed unilaterally, without legislative input, but found little resistance from the Taiwanese public because it was presented as a symbolic ‘reclaiming’ of Taiwanese heritage. Eliminating his presence from Taiwanese civic life also discarded his views from their prominence in Taiwan’s historical and civic narrative. While removing remnants of an autocratic leader is clearly a function of democratic transition, in that it represented the dismantling of a former government system, more deeply, removing Chiang Kai-shek’s memory from the public sphere embodied the Taiwanese public’s attempts to create a new identity founded on a conception of a unique Taiwanese heritage.

The de-Chiang-Kai-shek-ification process was fully a function of the Taiwanese peoples’ exploration of their identity in response to their new freedoms found within democratization. This is evidenced by the uneven and often contradicting efforts to remove Chiang Kai-shek’s images or enable a broader public discourse surrounding his role in Taiwanese history. In addition, the process was not quickly done. In fact, Chiang Kai-Shek International Airport wasn’t renamed until 2006, and the most prominent commemorative piece of architecture, the Chiang Kai-Shek Memorial Palace, wasn’t renamed to National Taiwan Democracy Memorial Hall until 2008, 21 years after democratization.¹⁹⁶ Presently, there are still scattered statues

¹⁹⁵ Taylor, “Qujianghua.”

¹⁹⁶ *ibid.*

throughout Taiwan constructed in Chiang's honor.¹⁹⁷ The nature of the de-Chiang-Kai-shek-ification process is indicative that the dismantling of memorials honoring Chiang was not a function of nation-building or a state-sanctioned nationalist project, but rather the byproduct of a democratized populace with various political and social goals.

Textbook Reform

National school curriculum can offer deep insight into the cultural norms within societies. When textbooks are managed at the national level, as they had historically been in Taiwan, they reflect a state narrative of what constitutes national values. Textbooks also help shape attitudes towards historical events and characters as well as determine what part of national history is significant enough to be included in a national narrative.¹⁹⁸ History curriculum is a powerful socialization tool within both democratic and autocratic nations, where government regimes can ensure the perpetuation of uniformity of thought. Thus, Taiwan's campaign for textbook reform shortly after democratization represents a significant shift in government priorities, as well as a new national narrative and identity. In analyzing the textbook reform process, I aim to situate textbook reform as a mode of reinforcing a new national identity, and as representative of the transformation of power from centralized government to localized control. These intertwined processes were fully facilitated by Taiwan's democratic transition.

¹⁹⁷ Corcuff, "The Symbolic Dimensions of Democratization." 86.

¹⁹⁸ Roberta Martin. "The Socialization of Children in China and on Taiwan: An Analysis of Elementary School Textbooks." *The China Quarterly* 62 (1975): 242-62.

Taiwan's national history curriculum has historically been developed by the Ministry of Education (MOE). Between 1949 and the early 1990s, textbooks reflected a Chinese nationalist perspective, with Chinese heritage central to historical narratives. Taiwan was treated as appendage of the mainland, with a shared culture and history. Very little revisions in textbooks were made during this period. The MOE strictly dictated education policy in Taiwan, and had the explicit goal of using education as a political socialization tool.¹⁹⁹ In fact, Article 158 of the 1947 constitution overtly asserts the political goals of national education— “education culture must develop the nationalist spirit of the citizens.”²⁰⁰

As Taiwan transitioned into democracy, national history curriculum underwent a similar shift in perspective, namely because education policy was divested from the bureaucratic MOE, with more power given to principals and teachers. The localization of authority was accompanied by a broader deregulation of education policy.²⁰¹ This decentralization was made possible through Taiwan's Civil Organizations Law of 1989, which legalized civic groups and provided Taiwanese citizens with additional avenues of political organization and participation. For the first time in generations, Taiwanese with common interests could advocate for reform. A large number of civic groups emerged, focusing on a wide array of social issues, including environmental

¹⁹⁹ Corcuff, “The Symbolic Dimension of Democratization.”

²⁰⁰ “Taiwan's Constitution of 1947 with Amendments through 2005” The Constitution Project, 17 July 2014. Accessed 13 March 2018.

<http://www.parliament.am/library/sahmanadrutyunner/Taiwan.pdf>.

²⁰¹ Law Wing-Wah. "Education Reform in Taiwan: A Search for a 'National' Identity through Democratization and Taiwanisation." *Compare: A Journal of Comparative and International Education* 32, no. 1 (2002/03/01 2002): 61-81. Ibid, 67.

concerns, public safety, income distribution, and education.²⁰² Taiwan's budding civil society helped expand government policy to focus on issues of direct concern citizens, rather than the national objectives the KMT developed in a top-down manner.

Education reform began with pressure from the newly developed civil education groups, which helped lead to the formation of the Commission on Educational Reform (CER).²⁰³ Through their protests, conferences, and meetings with education officials, these civic groups pressured the government to take steps towards education reform. University students also played a strong role in the movement by staging protests against the MOE, demanding education leaders make significant changes in curriculum, and labeling education bureaucrats "history criminals".²⁰⁴ In response to their strong advocacy, the CER was established in 1994 as an independent entity—separate from the MOE. While subject to input from MOE leaders, the CER operated with the sole agenda of developing school curriculum that reflected the desires of the Taiwanese community. The CER was not composed of government bureaucrats, but was led by a Nobel laureate and numerous university presidents and professors.²⁰⁵ Between 1994 and 1997, the CER held hearings, seminars, and public forums, soliciting input from parents, teachers, principals, and other education interest groups. In 1997, the CER submitted its reform recommendations to the MOE.

²⁰² Hsiao, "Emerging Social Movements and the Rise of a Demanding Civil Society in Taiwan." *The Australian Journal of Chinese Affairs* 24 (1990/07/01 1990): 163-80

²⁰³ Law, "Education Reform in Taiwan"

²⁰⁴ Corcuff, "The Symbolic Dimension of Democratization," 84.

²⁰⁵ Law, "Education Reform in Taiwan"

The new curriculum that emerged out of the CER's recommendations was called "Knowing Taiwan".²⁰⁶ This curriculum included new textbooks for history, geography, and society (social studies). The aim of the curriculum was to rid Taiwanese education of ideological motives, opposed to the prior system that proselytized "The Greater Han Ideology".²⁰⁷ Notably, the history curriculum reexamined the Japanese colonial period, which was previously written in light of the Chinese trauma from the First Sino-Japanese War. Most importantly, the textbooks emphasized Taiwan's "historical plurality", which directly contradicted the Chinese narrative of Taiwan as a part of linear Chinese history, lacking reference to the aboriginal population, as well as Taiwan's numerous colonial experiences. The new perspective was emphasized with the goal of exposing Taiwanese students to an international vision to "stand on Taiwan, have consideration for China, open their eyes to the world."²⁰⁸ Understanding Taiwan as a separate historical entity, and then exploring its relationship to other nations, including the Chinese, was central to this history perspective. Chinese history was still included in the Taiwanese education system, but new course requirements included a separate Taiwanese history course in secondary schools that was to precede any courses on Chinese history.

Taiwan's new history curriculum, in addition to broader educational reforms, refocused Taiwan's educational system to encourage the localization of Taiwanese culture, rather than top-down generated Chinese nationalist education. For example, in

²⁰⁶ Corcuff, "The Symbolic Dimension of Democratization," 84.

²⁰⁷ Ibid, 85.

²⁰⁸ Jennifer M. Wei. *Language Choice and Identity Politics in Taiwan*. (United Kingdom: Lexington Books, 2008), 97.

1998 the Law on Education for Aborigines was passed to legalize the rights of indigenous peoples to learn their native languages, such as Hakka and Minnanese, which had been strictly outlawed during KMT autocratic rule.²⁰⁹ The result of education reform was an increasingly localized education system that provided relative agency to teachers, encouraged culturally relevant teachings, and centered around the Taiwanese as a separate and significant nationality.

The democratization process led to the emergence of localized civic groups by instilling value to the opinions and concerns of the Taiwanese people, who had previously been denied this privilege by Chiang Kai-Shek's nationalist regime. Taiwan's nationalist movement is reflected in education curriculum, but it is the democratic process that facilitated both of these movements.

Education reform was spearheaded by those outside of the federal government—civic groups composed of students, parents, teachers, who personally advocated for reconstruction of the education system. Prior literature indicates that textbook reform was a state-sponsored nation-building exercise, but I argue this assessment is misplaced.²¹⁰ While the Taiwanese government participated in the reform process, government participation emerged out of pressure and protest from Taiwanese citizens. The CER operated independently of the MOE, and its recommendations came from citizens with a vested interest in education, not politics. In addition, the creation of textbooks was decentralized during this period as well,

²⁰⁹ Law, "Education Reform in Taiwan," 74.

²¹⁰ Christopher Hughes and Robert Stone, "Nation-Building and Curriculum Reform in Hong Kong and Taiwan," *China Quarterly* 1999, no. 160 (December 1999): 977-991.

allowing schools to make choices regarding the adoption of history textbooks within a broader market of private companies, which also operated outside government management.

Conclusion

Democratization and National Identity in Taiwan

In light of these characteristics of education reform, as well as the QuJianghua, movement, it becomes evident that these democratic reforms were facilitated by Taiwan's new democracy. However, it is also apparent that Taiwan's emerging national identity was necessary for the emergence of these reforms. I argue that Taiwan's democratization process and nationalist movement were mutually constitutive and equally necessary for the emergence of one another. Taiwan's growing economy necessitated an exposure to Western culture and the inequalities that infiltrate it, which in turn provided an opportunity for national introspection. This provided the fuel for the relatively peaceful transition out of martial law and into democracy. As Taiwan transitioned into a multi-party system, democratization provided outlets for numerous civic groups to advocate for reform.

Essential to the democratization experience was the KMT's peaceful relinquishment on their monopoly of power. This can also partly be explained through the national identity lens. Because KMT leadership was able to view democratization as critical to Taiwan's economic growth and diplomatic future, their willingness to expand the political field to opposition was more justified. KMT leadership saw the shifting landscape of Taiwanese identity and adjusted their platform to best serve Taiwan as a nation. While this was in no way a seamless transition, nor entirely

peaceful, it's relative success is significant. While economic imperative explains a portion of the KMT's willingness to expand the government system, it is namely because economic growth had become such a significant portion of Taiwanese identity that it became feasible for the transition. Numerous nations faced with a juncture of economic growth or maintaining strict control of power would choose the latter. In this way, Taiwan's democratization movement was deeply intertwined with the nation's growing understanding of Taiwanese identity in light of its' increasingly globalized position in the world economy.

Democratization and the No Haste Policies

What is the relationship between Taiwan's 1996 No Haste Policies and Taiwan's democratization process? Much like textbook reform and QuJinghua, No Haste represented Taiwanese attempts to reclaim their nation's autonomy, rid of influence from outsiders. As mentioned in Chapter 1 and 2, this is most indicated through President Lee's rhetoric following the incident, as well as Chinese newspaper pieces, which insist that The Taiwan Strait Crisis, National Development Conference, and No Haste policies were created in response to threats on sovereignty and national identity, not primarily out of fear of economic dependence.²¹¹ For domestic reforms, the process of asserting national identity involved dismantling Chiang Kai-shek's control over public spaces, such as streets and buildings, as well as his control over

²¹¹ "Appendix 80—President Lee Tenghui Cornell Commencement Address (1995)," *East Asia Peace and Security Initiative*. Accessed February 6, 2018. https://www.eapasi.com/uploads/5/5/8/6/55860615/appendix_80_-_president_lee_tenghui_cornell_commencement_address.pdf; "Lee Betrays Cause of Reunification" *China Daily*, June 24, 1995. Accessed February 6, 2018. <http://www.chinadaily.com.cn/epaper/html/cd/1995/199507/19950724/199507240041.html>

historical narrative. Similarly, No Haste involved removing Chinese control over economic growth. Each of these processes reflected the formation of a new national identity.

Much like domestic reform processes facilitated through democratization, the No Haste policies were implemented with the consent and urging of a multiplicity of groups with various interests. These policies were not simply a function of top-down policymaking. As outlined in chapter 1, members of the National Development Conference in 1996 consisted of a variety of different leaders from academia, economics, politics, and other prominent figures in Taiwanese society. The No Haste policies found widespread support within the NDC, as well as throughout the broader Taiwanese public, as evidenced in public opinion polls.²¹² The nature of the implementation of these policies then similarly reflects Taiwan's domestic reforms, in that efforts to assert national identity were championed by Taiwanese citizens rather than unilaterally imposed, as had been the case prior to democratization.

In order to understand the No Haste policies as a function of the democratization process, it is important to view the implementation of the economic policies in context. At a glance, these protectionist measures can be viewed as an attempt to diversify Taiwan's economy or retaliate for China's actions during the Taiwan Strait Crisis, but when viewed with an understanding of the domestic reforms that were occurring during the same time period, as well as Taiwan's history of suppression, it becomes apparent that democratization enabled the Taiwanese to

²¹² Mainland Affairs Council Public Opinion Polls. "Opinion Post." <http://www.mac.gov.tw/np.asp?ctNode=5895&mp=3>.

shape and assert their national identity in new ways, and restricting investments into China was an attempt to protect the Taiwanese' new conception of their national identity. For the first time, the Taiwanese were in full command of ensuring government policies, both domestic and international, mirrored the ways the Taiwanese conceived of themselves. The KMT had denied the Taiwanese self-governance and imposed a Sino-centric identity into civic and educational life for more than four decades, and as Taiwan ascended into the global economy, China was continuing to leverage its diplomatic power and economic prominence to ensure Taiwan was denied sovereignty. These separate powers—the KMT and Communist China—had different intentions in their suppression of Taiwanese culture and autonomy, but their existence represented a similar threat.

The KMT and PRC made attempts to undermine the legitimacy of the Taiwanese state, but Taiwanese citizens were only fully able to address these threats to identity because of the removal of martial law in 1987 and subsequent democratization process. Had Taiwanese society not gone through a democratic transition, efforts to explore and assert their national identity would have been suppressed by the KMT via repressive autocratic rule and continued Chinese Nationalist indoctrination. Similarly, without democratization, Taiwanese citizens wouldn't have been able to vocally challenge China's narrative of "One Country, Two Systems". In this way, democratization was critical for the full development of a new national identity narrative that was so central to both domestic reforms and economic relations with China.

Conclusion

The previous chapters have outline the ways in which Taiwan's protectionist FDI policies towards China were a function of the nation's emerging nationalist movement. This movement which was a direct response to democratization, but also a facilitator of the democratization movement. The interconnectedness of these processes and movements indicate the unique political and economic environment within the nation. They also highlight the importance in understanding both historical and present domestic context when examining the economic decision-making process in countries.

Summary

President Lee's No Haste policies were responsible for a sharp decrease in foreign direct investment into China between 1996 and 2001.²¹³ Despite the fact that these policies disproportionately hurt the nation in comparison to China, as well as Taiwan's prominent wealthy business community, these policies found wide support among Taiwanese citizens, and were broadly supported by an array of politicians and experts during Lee's NDC in which the policies were formulated.²¹⁴ While it can be viewed that these major FDI restrictions were an attempt to simply reduce Chinese market dependence, in order to diversify Taiwan's economy, Lee's rhetoric indicates that these policies were positioned as a national security initiative. "Taiwan First"

²¹³ Ping Deng. "Taiwan's Restriction of Investment in China in the 1990s."

²¹⁴ Linda Chao, Ramon H. Myers, and James A. Robinson. "Promoting Effective Democracy, Chinese Style."

became Lee's rallying cry for these policies, which were championed as initiatives that promoted a separate Taiwanese identity.²¹⁵

For the Taiwanese, grievances against the Chinese rest in the island's legacy of colonialism. Although experiencing numerous forms of colonialism from a variety of imperialist powers, the most prominent within Taiwanese culture today is their experience with the KMT nationalist reign after World War II. The KMT's legacy was littered with atrocity and the violation of human rights, including the February 28th Incident and ensuing White Terror.²¹⁶ While KMT leadership was discontinuous from the PRC, the nature of their rule subjected the Taiwanese to a double-colonialist experience, because the KMT claimed to fully represent Chinese leadership, and insisted the Taiwanese abandon all aspects of their heritage. After Chiang Kai-shek's death and the emergence of Taiwan's nationalist movement, Taiwan's new 'other' became the PRC. As China took significant steps to bar the Taiwanese from diplomatic recognition and responded to Taiwan's independence assertions with military strikes across the strait, their efforts to deny the Taiwanese people their identity and heritage sharply resembled the KMT's. Memories of the past shaded Taiwan's decision-making decades after atrocity.²¹⁷

At surface level, decisions by Taiwanese leadership to heavily restrict investments into China between 1996 and 2001 seem counterintuitive for a nation that had prioritized industrialization and rapid economic growth for several decades prior. Economic protectionism did not reflect the "Taiwan Miracle", where privatization and

²¹⁵ Ibid.

²¹⁶ Edmondson, "The February 28th Incident and National Identity." 26.

²¹⁷ Ibid.

an export-oriented economy had help the nation ascend into the ranks of other highly developed nations.²¹⁸ Taiwan's economic security was placed at risk with the implementation of these restrictions, but I have argued that financial security was secondary to the protection of the national self. Military strikes across the strait on behalf of the Chinese represented a threat to the Taiwanese' conception of their identity as a separate and sovereign nation with an autonomous culture from the Chinese, which theorists argue is so foundational that individuals, and societies, are willing to sacrifice material and physical wellbeing if it ensures the protection of their ontological security.²¹⁹

But how, and why did the Taiwanese have a sudden resurgence of nationalist sentiment during the late half of the 20th century? Taiwan's democratization process contributed heavily to the exploration of Taiwanese identity by promoting interactions between civil organizations and the government and increasing localized control of policymaking. The freedoms associated with governmental liberalization promoted a culture that responded in a variety of ways to perceived exploitation and suffering. These movements are demonstrated through Taiwan's textbook reform and QuJianghua process. Both of these movements were rooted in the desire for systems that respected the unique Taiwanese heritage and culture, rid of colonialist attitudes. In these ways, democratization and Taiwan's nationalist movement mutually reinforced one another, leading to the No Haste policies. The democratization process facilitated a civic culture that developed deep sentiments towards Taiwan's

²¹⁸ Chang, "U.S. Aid and Economic Progress in Taiwan."

²¹⁹ Mitzen, "Ontological Security in World Politics."

sovereignty. Civic groups emerged in response to a variety of issues that affected Taiwanese identity, and although international in nature, the No Haste policies can be viewed as an extension of this trend towards localized movements. The manner in which the No Haste policies were created, as well as the broad support of No Haste across the political spectrum, is reflective of the trend towards localization of the nationalist movement. Thus, both domestic and international nationalist reform processes were made possible through democratization.

State Decision Making and Ontological Security

I have previously discussed the ways in which democratization allowed national identity to become a salient priority in Taiwan's national consciousness, which resulted in domestic reforms as well as a sharp turn in economic relations with China. These processes served to reinforce one another, in that democratization provided an outlet for the Taiwanese to develop and assert their identity, and movements centered around national identity allowed Taiwan's nationalist movement to increase in prominence within the country's culture, as well as public policies.

What underlies both of these processes is the desire to protect Taiwan's conception of its national self in response to a perceived threat. Due to democratization, the Taiwanese were able to explore and redefine their conception of what it meant to be Taiwanese. As a nation with a history steeped in repression and denial of culture and an autonomous history, the Taiwanese created a national identity that opposed prior narratives created by and imposed on the Taiwanese by the KMT and PRC. Both Chiang Kai-shek's nationalist regime and Deng Xiaoping's PRC aimed to define Taiwan as an extension of a linear Chinese history. Chiang

successfully suppressed alternative narratives through physical violence, as seen in 2/28 and The White Terror, while the PRC pushed Taiwan into diplomatic isolation and made efforts to increase economic dependence to prevent the Taiwanese people from asserting an alternative narrative. Textbook reform, QuJianghua, and No Haste are simply reiterations of Taiwan's attempts to protect their identity from these threats.

According to constructivist theory, the security of identity is so foundational to states that physical and economic security can be willingly sacrificed in order to protect it.²²⁰ For the Taiwanese, whose modern economic history has earned it the title of Taiwan Miracle, and whose citizens still overwhelmingly value economic growth above all other national priorities, restricting investments across the Taiwan Strait came with large financial consequences, but the Taiwanese widely supported these policies because they protected their national narrative of what it meant to be Taiwanese.²²¹

Cross-Strait Relations, 2001 and Beyond

Upon President Chen's election, and continuing into current times, Taiwan's economy has trended towards a broad liberalization, which included sharp reductions in the heavy restrictions the MOEA had placed on foreign investments into China. One of the most recent developments in economic relations across the strait is the Economic Cooperative Framework Agreement (ECFA). Signed in 2010, ECFA

²²⁰ Steele, *Ontological Security in International Relations*

²²¹ Mainland Affairs Council Public Opinion Polls. "Opinion Post."
<http://www.mac.gov.tw/np.asp?ctNode=5895&mp=3>.

slashes tariffs on 539 tariffs on Taiwanese exports to China and 267 Chinese exports to Taiwan.²²²

However, this shift in policy does not reflect an abandonment of Taiwan's nationalist sentiment, but rather an evolution of their national identity. The ECFA agreement makes explicit references to Taiwan's sovereignty and unique relationship with China— "The ECFA will not follow the model of agreements signed by mainland China with Hong Kong and Macau. ECFA negotiations...take into full consideration the distinct characteristics of cross-strait relations."²²³ This economic agreement highlights Taiwan's new ability to insist that nations respect their autonomy, while still fully engaging in the globalized economy.

The ECFA signals that the Taiwanese people have adapted what it means to be "Taiwanese" in a way that doesn't necessitate total economic independence on China. In this way, the Taiwanese can conceive of themselves as being wholly Taiwanese while simultaneously participating in trade and investments with the Chinese, without feeling their core values and identity are infringed upon. This evolution is due to Taiwan's socialization with other states, allowing citizens and leaders to construct their identity in a way that permits both global engagement and national pride.

Implications

Taiwan's nationalist experience and resultant protectionist trade policies are relevant for modern nations as well. Modern populist movement rhetoric is incredibly

²²² "Cross-Straits Economic Framework Agreement Background." Mainland Affairs Council- Taiwan. <http://www.mac.gov.tw/public/data/051116322071.pdf>

²²³ *ibid.*

reminiscent to Taiwan's "Taiwan First" mantra, including the 2016 Brexit vote and the election of Donald Trump as president of the United States. In viewing Taiwan as a case study, it becomes apparent that a simple cost-benefit analysis fails to capture the justification for self-harming policies or goals, economic or otherwise. "Rationality" is too narrow a lens for comprehending the fullness of human interactions. The security of the national self, as demonstrated through No Haste, is so foundational that it transcends financial wellbeing. This must be fully understood in order to account for the actions of nations in situations where self-harming decisions are championed within a nation. In addition, Taiwan's economic restrictions were part of a larger nationalist narrative, and viewing these policies outside of Taiwan's unique historical experience, as well as their newly formed democracy, was critical for proper analysis. This level of analysis must be applied to modern populist movements as well, in order to discover the situational influences on decision-making. Similarly, in seeking policy solutions to address nationalist movements, history matters. Solutions must address the root of these sentiments, rather than treat the symptoms.

However, Taiwan can also offer insight into the longevity of these movements in light of the malleable nature of identity. Taiwan's shift towards liberalization in 2001 did not represent a repression of national identity, but rather an accommodation in what it meant to be Taiwanese. President Chen led efforts to spearhead a new era of broad liberalization, while still maintaining his allegiance to Taiwan as a separate and sovereign nation state with an autonomous history from PRC. Since 1995, tensions between Taiwan and China have oscillated, but without any threat of military interference, while the amount of Taiwanese who identify purely as Taiwanese has

steadily increased.²²⁴ For modern nationalist movements, this shift lends hope to modern populist movements, that national pride and economic cooperation can coincide with one another.

Areas for Further Research

Taiwan's history of colonialism and its impact on present day issues of nationalism and economics indicate that legacies of western imperialism have long-standing consequences. Because colonialism has impacted a large majority of developing countries, especially in Africa and Asia, it becomes valuable to understand the relationship between colonialist history and modern day economic policies. How do modern post-colonialist states interact with their former colonizer? Is there an archetypal economic relationship between colonized and colonizers? Does a history of exploitation lead to negative economic interactions with the former colonizer? Similarly, it could be valuable to understand the legacy of imperialism on the construction of identity. What are the impacts of colonialism on national identity in other states? Does a colonialist past lead to a more ethnocentric national identity? Studying these fields could have significant impact on post-colonialist states.

In addition, the ability of the Taiwanese to shift their conception of national self in order to accommodate economic cooperation is fascinating. Further research exploring how and when national identity transitions occur would be valuable for a broad set of modern day nationalist movements and an in light of a global increase in economic protectionism. When nationalist movements become harmful to minorities

²²⁴ Election Study Center, NCCU Taiwanese/Chinese Identity Survey Results, 1992–2001.

and outsiders, understanding ways in which ethnocentric attitudes can be shifted to incorporate a more inclusive understanding of national self would be invaluable to international organizations, even as an intervention tool. Taiwan's resurgence of nationalism after democracy created resentful attitudes towards mainland Chinese, but did not escalate to violence. Other ethnic conflicts—Rwanda, Sri Lanka, Bosnia, Myanmar, Darfur—just to name a few—created tremendous human suffering. Thus, the international community would have a vested interest in understanding the facets of national identity and under what circumstances it becomes malleable.

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