

By Ross Darrell Feingold

Consistent with polls throughout 2015, on January 16, 2016 Taiwan's Democratic Progressive Party won a decisive victory in the presidential election and the 113 seat parliament, the Legislative Yuan. DPP candidate Tsai Ing-wen received 56.1% of the vote, defeating Eric Chu Li-luan of the Nationalist Party (31.0%), and James Soong Chu-yu of the People First Party (12.8%). The DPP won 68 seats in the Legislative Yuan, up from 40, while the KMT fell to 35 from 64 seats. The New Power Party, further to the left than the DPP and competing for the first time in elections, won five seats. Business persons with investments in Taiwan or who transact with Taiwan clients, as well as diplomats and government officials who monitor Taiwan affairs, should pay close attention to the upcoming decisions by President-elect Tsai for its impact on Taiwan's economic growth and relations with China.

President-elect Tsai's Personnel Choices

Unfortunately, Taiwan lacks a shadow cabinet system and thus as of this writing it's unclear who President-elect Tsai will appoint to ministerial and other senior positions (the premier and ministers do not require Legislative Yuan approval). During the previous DPP administration for 2000 to 2008, President Chen Shui-bian had six premiers and cabinets, with many cabinet ministers lacking the experience or charisma to succeed. Although the situation did not improve much under President Ma (five premiers in eight years), President-elect Tsai has ample history by which to judge candidates' merits.

Legislative Yuan Role & Relations with the President

Whether the DPP government can work smoothly with the new Legislative Yuan remains to be seen. At the first post-election DPP leadership meeting, President-elect Tsai proposed that the legislative speaker be "neutral" and not participate in party activities, a signal that she hopes to keep the party caucus in line. In recent years the DPP party opposed Ma Administration infrastructure project proposals such as the aircraft services Aerotropolis, integrated resorts with casino gaming, nuclear power, and free trade zones.

Is Taiwan Open for Business

Recent events should give investors reason to question whether politicians from all parties support an open investment environment. In Taipei and other municipalities, political leaders have accused project developers of corruption in bidding processes or shoddy construction work. In some cases there is substance to the accusations, but politicians chose to first try the accused in the court of public opinion. Significant transactions that failed to obtain regulatory approval or were terminated by the parties due to protracted regulatory review include China Mobile's investment in FarEastone (2009), AIG's disposal of Nanshan Life Insurance (2010), management buyout and delisting of Yageo (2011), Next Media sale of newspaper and magazines (2013), and the sale of Ting Hsin's Taipei 101 stake (2014). In the case of the latter, Finance Minister Chang Sheng-ford said it would be "inappropriate" for foreign interests to operate the landmark building. Generally these transactions complied with applicable laws. President-elect Tsai's strong commitment to renewable energy as of yet doesn't guarantee sufficient energy for Taiwan's manufacturers.

Cross Straits Relations

A post-election survey published by the DPP-affiliated Taiwan Thinktank reported voters' priorities for the new government as economic development (49.1%), employment (26.9%), food safety (25.2%), and elder care (21.0%). Cross-straits relations was selected as a priority by only 19.4% of respondents. Tsai might take the view she has sufficient political capital to move slowly on engagement with China. Under previous DPP president Chen Shui-bian, China-Taiwan relations were contentious. Thus, it remains to

be seen whether the past eight years progress in China–Taiwan relations can be sustained. Given the near term uncertainties surrounding mainland–Taiwan relations, investors should hope for the best, but prepare for the worst.

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