

Choices and Challenges

What should be the incoming Tsai administration's priorities and what are the chances of that happening?

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THE BASIC QUESTION

What Can / Should Taiwan's New Leadership Do In Order for Taiwan to Maintain Economic Success, Provide for its Citizens and Keep Control of Its Own Destiny, Taking into Account, Inter Alia, Cross Straits Issues ?

HYPOTHESIS

THE NEW PRESIDENT FACES A LONG LIST OF SHORT TERM AS WELL AS STRUCTURAL CHALLENGES AND WILL LIKELY BE BETTER AT MANAGING THE LATTER THAN THE FORMER AND THIS IS A GOOD THING.

WHY

- The Skill Set – Dr. Tsai is an experienced executive branch veteran with a legal, economic and administrative background and is a known commodity.
- The Mind Set – Dr. Tsai has an academic and philosophical commitment to her own view of Taiwan.
- The Forces at Play -
 - A. The Mainland
 - B. The Domestic Demographic Shift
- The Need – For the government to make decisions and plan ahead so as to facilitate economic and social development via physical, governmental and people infrastructure.

THE PERSPECTIVE – FIVE KEY PIECES

1. Taiwan History Defines Taiwan's Place in the Commercial World
 - Island Economy
 - 17th/18th century "Pirate" Migration
 - Japanese Occupation
 - Post WWII KMT Migration
 - SE Asia Brides
2. Taiwan's Economic Formula is Based on:
 - Import Substitution/Export Promotion
 - Supply Chain Management
 - Global Reach
 - Commercial Freedom

THE PERSPECTIVE (CONT.)

3. Government Cannot Direct Business but Can and Should Facilitate Business
4. Taiwan is a Maturing Political Democracy Where Votes will be won with Pension Reform, Care for the Elderly and Infrastructure Development
5. There are no Insurmountable Economic Obstacles to Taiwan's Development. Taiwan's Fundamental Problems are not economic, but Political and Managerial.

EIGHT REALITIES

- **THE PRC IS NOT GOING AWAY**
- **TAIWAN'S BUSINESS CULTURE AND ITS YOUNGER GENERATION HAVE AN INHERENT ABILITY TO VOTE WITH THEIR FEET**
- **TAIWAN IS NOT GOING TO GET BIGGER OR MORE IMPORTANT IN THE WORLD**
- **GOVERNMENT SOMETIMES NEEDS TO DO THINGS VOTERS DO NOT LIKE AND (FOR DR. TSAI) NOW IS THE TIME TO DO IT**
- **THE UNEXPECTED WILL CONTINUE TO OCCUR**
- **THERE IS A DEFINITE STRONGER SENSE OF TAIWAN IDENTITY.**
- **TAIWAN HAS GAINED MORE THAN IT LOST ON THE INTERNATIONAL STAGE DURING THE MA ADMINISTRATIVE AND TSAI WILL BE MEASURED BY COMPARISON.**
- **TAIWAN DOES NOT NECESSARILY CONTROL ITS OWN POLITICAL DESTINY. IT NEEDS OTHERS (READ THE U.S. AND EUROPE) TO INCREASE (I) THE BENEFIT TO THE MAINLAND OF PLAYING A GLOBAL ROLE AND (II) THE COST TO THE MAINLAND OF A FORCED CHANGE OF THE STATUS QUO**

TEN THINGS TAIWAN'S NEW LEADER CAN AND SHOULD DO

- 1. MANAGE THE MAINLAND RELATIONSHIP TO THE STATUS QUO AND NOT LET THAT RELATIONSHIP DOMINATE THE AGENDA**
- 2. ENGAGE IN SERIOUS LONG TERM PLANNING RATHER THAN REACTIVE GOVERNMENT BY ANTICIPATING AND MANAGING “POPULIST ISSUES OF THE DAY”, KNOWING WHEN TO ALLOW “VENTING” AND CO-OPTING POPULAR MOVEMENTS**
- 3. PURSUE GLOBAL INTEGRATION ON ALL FRONTS AND INCREASE FOCUS ON THE WORLD OUTSIDE THE MAINLAND**
- 4. PURSUE LEGISLATIVE, REGULATORY AND JUDICIAL REFORM**
- 5. INCREASE FOCUS ON R&D, CAPITAL INTERMEDIATION AND A CONTINUING KEY ROLE IN SUPPLY CHAIN MANAGEMENT**

TEN THINGS TAIWAN'S NEW LEADER CAN AND SHOULD DO (Continued)

- 6. FOCUS AVAILABLE RESOURCES INTO IN-COUNTRY INFRASTRUCTURE DEVELOPMENT**
- 7. CREATE OPPORTUNITIES (AND INCOME) FOR YOUNG FOLKS**
- 8. PURSUE QUALITY OF LIFE ISSUES**
- 9. EMBRACE A TAIWAN IDENTITY WITHOUT EMBRACING AN INDEPENDENCE IDENTITY**
- 10. WATCH THE BUDGET**

BREAKING IT DOWN

- 1. The Needed Elements**
- 2. The Obstacles**
- 3. Likelihood of Success**

PRC RELATIONSHIP

Needed Elements

- **Low Key Non Provocative Approach**
- **Passive Aggressive Towing the Line**

The Obstacles

- **Mainland's Position Uncontrollable**
- **Impact of Non Taiwan Issues such as Economic Downturn in PRC**

Likelihood of Success

- **Cautiously Optimistic**

AVOIDING REACTIVE GOVERNMENT

Needed Elements

- **Co-opting the newer parties into a DPP coalition – and keeping them there**
- **Open communication with the public**

THE OBSTICALS

- **Overly optimistic expectations**
- **Political immaturity**

Likelihood of Success

- **??????**

GLOBAL ECONOMIC INTEGRATION

Needed Elements

- Refocus on Importance of Inbound Foreign Business
- Reaching out to Natural Constituencies – Japan and Southeast Asia
- Knowing Who Your Friends Are – Hint! Solve the Pork Issue
- Posturing for TPP Membership

The Obstacles

- Domestic Constituencies with Vested Interests

Likelihood of Success

- Partially Optimistic

LEGISLATIVE, REGULATORY AND JUDICIAL REFORM

Needed Elements

- **Control of the Legislative Process**
- **Sustained Effort and Keeping the Public Bought In**

The Obstacles

- **Public Impatience (or disinterest)**
- **Vested Interests**

Likelihood of Success

- **Highly Optimistic**

ECONOMIC DEVELOPMENT

Needed Elements

- **Focus on Financial Services**
- **Understanding and Facilitating Emerging Industries**
- **Open Architecture**

The Obstacles

- **Tending to Over Regulate and Micro Manage**
- **Business Impatience**

Likelihood of Success

- **Optimistic**

PHYSICAL INFRASTRUCTURE

Needed Elements

- **Political Will**
- **Realistic Focus**
- **Sustained Effort**

The Obstacles

- **Vested Interests**
- **Not In My Background**

Likelihood of Success

- **Optimistic**

HUMAN INFRASTRUCTURE

Needed Elements

- **Convincing business Owners of the Value of Human Resources**
- **Education Reform**
- **Career Creation**

The Obstacles

- **Youth Impatience**
- **Income Inequalities**
- **Perception of Stagnation**

Likelihood of Success

- **Not So Optimistic**

QUALITY OF LIFE

Needed Elements

- **Prioritization**
- **Education**
- **Financial Resources (see “Watch the Budget Below”)**

The Obstacles

- **Tending to focus on what is popular instead of what is good**
- **Over expectations**

Likelihood of Success

- **Challenging**

TAIWAN IDENTITY

Needed Elements

- **Understanding the Demographic**
- **Focus on the Pragmatic and Realistic**
- **Redefine the Paradigm**
- **Patience and Balance**

The Obstacles

- **Populist Politics and Social Movements Getting Out of Control**

Likelihood of Success

- **Optimistic**

THE BUDGET

Needed Elements

- **Staying Focused on What is Important**
- **Getting to “Pay as You Go” for Medical Care, Retirement Funds and Public Utilities**

The Obstacles

- **Public Expectations that it All Should Be Free (or at least cheap)**

Likelihood of Success

- **Not Optimistic**

LAST THOUGHTS

- **The government has already stated that its five domestic priorities are dealing with low salaries, uneven distribution of income, youth unemployment, pension reform and energy supply which is a conceptual good start;**
- **The PRC goals is “status quo” however defined;**
- **The economic priority should be to facilitate business by making the infrastructure (human, regulatory and physical) work rather than direct business; and**
- **Social issues will be self defining.**
- **Thus, it is not so much what specific priorities Dr. Tsai chooses to pursue but rather whether there is the skill set and political will to finish what is started.**

CONCLUSION

