

Taiwan Business Leaders' Forum

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Tsai Ing-wen's Inauguration Address: What Business Leaders Need to Know

By Ross Darrell Feingold

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President Tsai Ing-wen's inauguration address on May 20th identified as important areas for her government 1) Transforming Economic Structures, 2) Strengthening the Social Safety Net, 3) Social Fairness and Justice, 4) Regional Peace and Stability and Cross-Strait Relations, and, 5) Diplomatic and Global Issues. The impact of these issues on business leaders can be grouped into two broad areas; and those who had hoped for some specifics after a campaign that began in June 2015 would have been disappointed.

1. Transforming Economic Structures / Strengthening the Social Safety Net / Social Fairness and Justice: During and after the presidential election campaign President Tsai pledged to develop five core industries in Taiwan: the Internet of Things, smart machinery, new energy, bio-technology and defense. However, other than energy (see below) she neglected to mention any of these in her address.

Instead, she identified well-known, existing strengths of Taiwan's industries such as innovation and human resources. She then proposed a "New Model for Economic Development". Key items she identified are employment (particularly youth unemployment) and equitable distribution of wealth - but without identifying specific policies to achieve either. For guidance, one can look at the industrial policies of the newly-elected municipal leaders who took office following the landslide local election victories for the Democratic Progressive Party (and the DPP-aligned Ko Wen-je in Taipei) in November 2014. In addition to Taipei, this included industrial municipalities such as Taoyuan and Taichung. In all three jurisdictions, the mayors have halted large, job-creating development projects.

President Tsai pledged to "gradually adjust our energy options based on the concepts of sustainability." A Greenhouse Gas Reduction and Management Act was enacted into law in June 2015 with DPP support, but President Tsai did not refer to it and thus it is unknown whether she will seek more stringent criteria for reduction in carbon emission. The President then pledged to create within the Executive Yuan (Cabinet) an office for energy and carbon-reduction - despite there being an existing Executive Yuan body, the Energy Conversation & Carbon Reduction Promotion Board. President Tsai, a long-time advocate for a nuclear-free Taiwan, failed to mention nuclear energy in general or her plans for Taiwan's three operating nuclear plants, the issue of storing spent fuel rods and the so far unused fourth plant in particular. In an ominous sign that nuclear issues will be a problem for President Tsai, during the inaugural events a participant onstage next to her held a banner with the words "GET OUT" in protest over nuclear waste storage policy.

President Tsai identified the well-known issue that young people suffer from low wages and pledged that protecting labor rights will “raise productivity and allow wages to grow in lock-step with the economy” How expanding worker rights will lead to higher wages is unclear. The sensitive issue of housing policy, as well as tax policy, were also unmentioned, though a significant part of her address was devoted to “reforms” of the pension and elder care systems.

2. Regional Peace and Stability and Cross Strait Relations / Diplomatic and Global Issues: President Tsai pledged to actively participate in free trade negotiations including the TPP and RCEP. With regard to the TPP, the sensitive issue of pork imports from the United States currently precludes further progress. Although the entry of specific products into Taiwan is a level of specificity outside the scope of an inaugural address, President Tsai did not ask the public (despite, in the English version of her address, 15 uses of the word “reform”) to be open to regulatory reforms necessary to make Taiwan an attractive candidate for either the TPP or the RCEP.

President Tsai did not take a position on the two pending trade agreements (services and goods) with China or clarify how Taiwan can enter the China-backed RCEP if her government rejects them. She promised a “New Southbound Policy” (also policy under former Presidents Lee Teng-hui and Chen Shui-bian) to focus on trade with India and ASEAN; even though no specifics were offered, it will be irrelevant unless India and ASEAN reciprocate the interest.

Those who believe President’s Tsai’s past experience as a member of the Fair Trade Commission and as a trade negotiator does not equate to a desire for regulatory reforms to make Taiwan a more attractive investment destination did not hear anything in the address to dissuade them of this view.

Ross Darrell Feingold is a senior adviser at DC International Advisory, a consultancy that advises clients on political risk and market entry around the globe. The views expressed here are his own, at the request of Taiwan Business Leaders' Forum.

The full text of President Tsai's inaugural speech in English is at...

<http://focustaiwan.tw/news/afav/201605200008.aspx>

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