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The Impact of Taiwan's 2008 Elections on Cross-Strait Relations: A Game-Theoretical Analysis

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As an “index case” of Third-Wave democracies facing existential threat, Taiwan’s elections entail important implications for study in comparative politics and international relations. In 2008, three important elections help define the course of Taiwan’s democratic development and its relationship with China: the January legislative election, the March presidential election, and a controversial referendum on Taiwan’s United Nations entry. This article employs game theory to analyze the impact of Taiwan’s 2008 elections on cross-strait relations. It develops an “election game” by examining each principal player’s preferences regarding each election. It analyzes Beijing’s possible reaction to the potential outcomes, and then examines the actual election outcomes against the model and offers observations on the prospect of cross-strait relations. Overall, the model predicts that cross-strait relations after the 2008 elections will present a historic opportunity, which can be seized or squandered, depending on political leadership.

Key words: China-Taiwan relations, Democracy - East Asia, East Asian politics
Introduction: The Internal-External Nexus

The year 2008 marks a turning point in Taiwan’s democratic political development and cross-strait relations. A key reason for this prospect is the momentous elections that took place in Taiwan this year. On January 12, a parliamentary election was conducted under a new, mixed electoral system that selected candidates from single-member districts (SMDs) through the first-past-the-post (FPTP) method and from lists nominated by political parties. Taking the so-called Duverger’s Law (i.e., that a correlation exists between the plurality method and a two-party system) at its face value and hoping to emulate other states that have adopted a mixed electoral system (e.g., Japan), many analysts hoped this new electoral system would contribute to a more healthy electoral competition between the two major centrist parties, the Kuomintang (KMT) and the Democratic Progressive Party (DPP). They also hoped this new system would reduce the influence of fringe candidates and money politics that became somewhat common under the old system of single non-transferable vote (SNTV) in multi-member districts (MMDs).

On March 22, 2008, the presidential election, featuring the KMT’s and the DPP’s former chairmen, decided whether Taiwan’s voters wanted a leader who will solidify the “Taiwan identity” or one who promises to improve the economy and ease cross-strait relations. That the identity issue became a key issue in these elections, as it had been in recent years, was an important


3. In the eyes of many, that is how the DPP sought to set the agenda.
reason why Taiwan’s elections entail implications for its external relations, particularly vis-à-vis China and the United States, and for regional stability.4

The electoral link between Taiwan’s domestic politics and its external relations was further accentuated by the two referenda regarding the issue of Taiwan’s entry into the United Nations that were conducted on the same day as the presidential election. The DPP-sponsored referendum called for the country’s entry into the UN under the name “Taiwan.” Not to be outdone by the DPP, the KMT sponsored a referendum calling for the country’s return to the UN under flexible means.

Various major powers opposed the DPP’s UN referendum, most significantly the United States, Taiwan’s chief security backer.5 Chinese officials expressed their concerns that cross-strait relations during the lead-up to the March 2008 presidential elections might enter a “high danger period.” Passage of DPP’s UN referendum would constitute a step toward a declaration of de jure independence of Taiwan.6 For China, such a declaration would be considered a “major incident” as defined in its Anti-Secession Law (ASL), and would call for a response using “non-

5. U.S. Secretary of State Condoleezza Rice said in her December 21, 2007 press conference: “We think that Taiwan’s referendum to apply to the United Nations under the name ‘Taiwan’ is a provocative policy. It unnecessarily raises tensions in the Taiwan Strait and it promises no real benefits for the people of Taiwan on the international stage.” Rice was the highest U.S. official who rebuked the referendum; online at www.state.gov/secretary/rm/2007/12/97945.htm.
6. China’s official attitude was summarized in a State Council Taiwan Affairs Office (TAO) statement on July 25, 2007, which branded both Taiwan’s application for UN membership and the DPP’s UN referendum as “attempts to alter the status quo that both the mainland and Taiwan belong to one China and important steps toward Taiwan independence.” Online at big5.xinhuanet.com/gate/big5/news.xinhuanet.com/tai_gang_ao/200707/25/content_6426220.htm. There are similarities and differences between the Chinese and U.S. reactions. U.S. Deputy Secretary of State John Negroponte, interviewed by Phoenix TV on August 27, 2007, characterized Taiwan’s UN referendum as “a step towards the declaration—towards a declaration of independence of Taiwan, towards an alteration of the status quo”; online at www.state.gov/s/d/2007/91479.htm.
peaceful means.” The United States, while stating that it did not oppose Taiwan’s holding referenda, tried hard but to no avail to dissuade the DPP government from conducting the most controversial UN referendum, and, failing that, to appeal directly to Taiwan voters.

The internal-external linkage thus worked both ways. On one side, through elections including referenda, Taiwan sought to consolidate its democracy, solidify its place in the global community of democracies, and redefine its relationship with the international society, including China, based on these new identities. On another, key external players, particularly the United States and China, took an active interest in the outcome of these elections and directly or indirectly involved themselves in Taiwan’s internal politics. Democracy and nationalism form a two-faced Janus. While most elections in new democracies are important for their own sake, few have as many international implications as have Taiwan’s.

This article analyzes the impact of Taiwan’s 2008 elections by employing concepts and insights from game theory to differentiate and evaluate the various possible scenarios. My goal is not to accurately predict the actual outcomes, but to work through a heuristic model based on a “decision-making game.” The model consists of three games (parliamentary, presidential elections, and referenda) and the preference order of three players (the KMT, the DPP, and China). I intend this model to be logically coherent and empirically plausible. After the model is presented, actual vote outcomes are brought in for validation. Informed by the model, a discussion on the elections’ impact on cross-strait relations follows.

7. For the Chinese full text of the Anti-Secession Law (Fan fenlieguojia fa, March 14, 2005), see tw.people.com.cn/GB/14810/3240911.html. The English full text is available online at english.people.com.cn/200503/14/eng20050314_176746.html.
9. For a useful primer on how game theory can help analyze politics, see Peter C. Ordeshook, Game Theory and Political Theory (Cambridge: Cambridge University Press, 1986).
Elections of 2008: An Overview

Before I formally present the model, a few words about the three elections are in order. These necessarily brief remarks seek only to provide a background for the game-theoretical analysis in the next section. An in-depth discussion of the elections is beyond the scope of this study.

The Legislative Election

The 2008 legislative election was conducted for the first time under a new electoral system of single-member districts/two ballots system (danyi xuanqu liangpiao zhi). “Each district produces only one winner (winner takes all); each voter can cast two ballots—one for a district candidate and the other for a political party.” The size of the Legislative Yuan (LY), Taiwan’s legislature, was halved from 225 to 113, and the term of legislators was changed from three to four years. The 113 seats were divided as follows: 73 were selected from SMDs, and 40 (34 for nationwide and overseas delegates, 3 for plain aborigines, and 3 for mountain aborigines) were selected in proportion to the vote shares received by political parties competing in the second ballot, subject to a threshold of five percent.

This new system replaced the multi-member districts/single non-transferable vote (fushu xuanqu danpiao zhi) electoral system that Taiwan had used for its legislative elections for decades. Under the old system, a voter cast only one ballot for a candidate in a much larger constituency that produced more than one winner (e.g., Taipei County sent twenty-nine representatives to the Legislative Yuan). Of the 225 legislators elected in 2004, 158, about 70 percent, were chosen from MMDs. The remaining seats—51 nationwide constituencies, 8 overseas constituencies, 4 plain aborigines, and 4 mountain aborigines—were allocated in proportion to the vote shares received by the parties competing in the MMD races.

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11. Ibid.
12. Data from Central Election Commission; available at 210.69.23.140/pdf/B2004006.pdf.
Table 1. Legislative Electoral Systems: Old vs. New

<table>
<thead>
<tr>
<th></th>
<th>New system (2008)</th>
<th>Old system (as of 2004)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Name</strong></td>
<td>Single-member districts / two ballots (danyi xuanqu liangpiao zhi, 單一選區兩票制)</td>
<td>Multi-member districts / single non-transferable vote (fushu xuanqu danpiao zhi, 複數選區單票制)</td>
</tr>
<tr>
<td>It’s an electoral system that</td>
<td>Combines proportional representation (PR) and small electoral districts</td>
<td>Produces multiple representatives in larger electoral districts</td>
</tr>
<tr>
<td>Each voter can cast ______ vote(s)</td>
<td>Two: one for an SMD candidate; the other for a political party</td>
<td>One: can only vote for one of the candidates in the MMD</td>
</tr>
<tr>
<td><strong>Total number of seats in LY</strong></td>
<td>113:79 SMDs (including 3 plain aborigines and 3 mountain aborigines; 34 PR (nationwide and overseas delegates)</td>
<td>225:166 MMDs (including 4 plain aborigines and 4 mountain aborigines; 59 PR (51 nationwide, 8 overseas)</td>
</tr>
<tr>
<td><strong>How district legislators are chosen?</strong></td>
<td>Each district produces only one seat. The winner must receive the most votes in that district.</td>
<td>Each district produces predetermined number of seats. Each voter casts his/her only vote for one candidate. Those candidates receiving the most votes up to that predetermined number are winners.</td>
</tr>
<tr>
<td><strong>How at-large legislators are chosen?</strong></td>
<td>The number of seats allocated to each party is proportionate to the party’s vote share in the second (party) ballot-subject to a threshold (5%).</td>
<td>The votes received by an MMD candidate are deemed as support for his/her party. Add up all the votes for his/her party’s MMD candidates to get a proportionate number of at-large seats.</td>
</tr>
<tr>
<td><strong>Advantages</strong></td>
<td>SMD candidates will find it harder to get elected by relying on extreme positions or a single issue. They must adopt a centrist stance.</td>
<td>It’s easier to aggregate votes for candidates who enjoy name recognition.</td>
</tr>
<tr>
<td><strong>Disadvantages</strong></td>
<td>Prone to two-party competition. Benefits large parties. Small parties find it harder to continue functioning.</td>
<td>Ample room for strategic allocation of votes. To ensure the largest number of victories, political parties may strategically allocate votes.</td>
</tr>
</tbody>
</table>

Table 1 summarizes the differences between the old and the new electoral systems.

As can be seen from Table 1, the main professed advantage of the new electoral system was to shape Taiwan’s electoral politics into a healthier two-party system. The two major parties, the KMT and the DPP, were expected to be the main beneficiaries of this system, although the KMT was expected to be the larger beneficiary. The smaller parties pinned their hope on the second ballot: Ten parties other than the KMT and the DPP fielded their candidate lists for the PR vote. Whether this new system will result in “the best of both worlds”—combining the efficiency of the plurality system and the representativeness of the PR system—remains to be seen. It may take several elections for the benefits of a major electoral reform to fully show, as Japan’s case indicates.

One key consideration for Taiwan’s future is whether the legislative election, in conjunction with the presidential election, would perpetuate the divided government and its resultant paralysis that Taiwan has experienced in the past eight years. The DPP controlled the executive branch and the Pan-Blue coalition under the KMT (see note 13) held the majority in the legislature. Alternatively, these elections could usher in a period of unified and presumably more efficient government in which the same party controls both the executive and the legislative branches. Due to the negativity of the campaign and the voters’ relative unfamiliarity with the new voting system, voter turnout was expected to be lower than the historical average of about 70 percent. Yet voter turnout was a key factor. The DDP, more than the KMT, hoped to gain more from a higher voter turnout with the help of referenda (to be discussed later).

13. The KMT’s advantage stems from several factors: first, each sparsely populated county on the offshore islands and Taiwan’s east coast receives at least one seat, and these areas are traditionally pro-KMT; second, the KMT’s minor partners in the Pan-Blue Coalition—the People First Party and the New Party—now have greater incentive to run as KMT candidates so as to benefit from the KMT’s resources; and third, the KMT has a more extensive grassroots organizational base thanks to its decades-old advantage under the old MMD system.

14. For the names of these minor parties, see www.cec.gov.tw/files/20071227093041_20071227.doc.
Presidential Election

The March presidential election featured two alternative tickets: the KMT’s Ma Ying-jeou with Vincent Siew and the DPP’s Frank Hsieh with Su Chen-chang. In contrast to the legislative election, the DPP believed that its chances would be better in a head-to-head competition such as a presidential race. For most of the 2004 presidential campaign, the KMT’s Lien Chan and James Soong ticket enjoyed a comfortable lead over their DPP rivals. Yet they lost to Chen Shui-bian and Annette Lu by 0.2 percent at the end. A few analysts opined that the two referenda called for by Chen helped boost the turnout by voters, especially Green supporters. Despite the failure of the referenda due to lack of the requisite quorum, half of all eligible voters picked up the referenda ballots.15

Referenda

Believing in the referendum’s alleged effect of boosting voter turnout and rationalizing it as a measure of direct democracy, the DPP and its supporters once again planned for referenda in conjunction with elections. This time Taiwan’s voters were asked to cast their ballots during the same time as both the January legislative election and the March presidential election. As previously stated, the DPP pushed for a referendum on whether the nation should apply for UN membership under the name “Taiwan.” In fact, the Taiwanese government in its annual bid for UN and World Health Organization (WHO) membership earlier in 2007 had begun using the name “Taiwan.” Nonetheless, President Chen claimed that the referendum was necessary because it would signify the Taiwan people’s aspirations, which the international

15. The two referenda asked voters whether they agreed that the nation should establish a missile defense system in light of China’s growing missile threats and whether they agreed that the nation should develop a framework of peaceful interaction with China. Due to the Pan-Blue’s boycott, about 45 percent of all eligible voters cast the referenda ballot, but among those who voted in the referenda, over 92 percent agreed with both referenda. Cf. David W. F. Huang, “Did the 2004 ‘Peace Referendum’ Contribute to the Consolidation of Taiwan’s Democracy?” Taiwan Journal of Democracy, vol. 2, No. 2 (December, 2006), pp. 143-76.
community would thus be less likely to ignore. Seeking to offset the DPP’s electoral benefits from exploiting the UN referendum as an “identity card,” the KMT promoted its own referendum on whether Taiwan should return to the UN under flexible means.

Two referenda were held in conjunction with the January 12 legislative election. Referendum number 3, sponsored by DPP supporters, called for enacting a law to go after the “illegally obtained” assets held by political parties—presumably the KMT. Referendum number 4, sponsored by KMT supporters, called for enacting a law to punish national leaders and their subordinates whose “policy mistakes and corruption” caused big losses for the nation. Neither passed, as only about 26 percent of all voters cast their referendum ballots.

For the purpose of this article, I focus my discussions on the two UN-related referenda rather than the other two concerning domestic politics for two reasons: first, the two UN referenda entailed explicit external implications, which I want to examine; and second, the KMT asked its supporters to boycott the January referendum (including its own version), and boycott the March referendum, contributing to the failure of each.

A fundamental determinant of the fate of any referendum in Taiwan is that it must pass two majorities. Article 30 of the Referendum Law mandates that a referendum passes if (1) over half of all eligible voters vote in a referendum and (2) over half of the validly cast ballots concur. The first majority is a very high hurdle: Taiwan’s electorate amounts to about 16.5 million, so 8.25 million voters must participate in any successful referendum. Assuming the historical average voter turnout of 80 percent in presidential elections, around 13.2 million voters were expected to vote in the March presidential election. Assuming a hard-fought battle, both the KMT and the DPP candidates would receive about half of the votes, or approximately 6.6 million. If each major

19. For an analysis along these lines, see the interview of the chief commissioner of the Executive Yuan Referendum Review Commission by
party’s partisan supporters did as their parties asked them to do—voting for the referendum sponsored by their own party but boycotting the other referendum sponsored by the rival party—then neither referendum would receive 8.25 million votes cast. Since the object of the two referenda—Taiwan’s membership in the UN—enjoys high popular support, an unknown number of voters might vote yes on both referenda. If there were enough such voters and if the voter turnout for the presidential election was particularly strong, then one or both referenda might pass.

The probability that either or both UN referenda would pass in March 2008 was thought to be higher. One reason is that the Central Election Commission made it easier for voters to cast votes for the presidential candidates and the referenda through the so-called “one-step voting method,” whereas in 2004 the presidential election and the referenda were conducted separately (one had to ask for a particular ballot, hence revealing one’s preference—a violation of the constitutional principle of the secret ballot). The second reason is that since it was politically awkward for the KMT once again to boycott its own UN referendum, as it did in January, the party tacitly blessed its supporters who wanted to vote for the KMT version or both the KMT and DPP versions.

Therefore, regarding referenda, the most important consideration was whether either or both of the UN referenda would pass. Considering the international reactions, the assumption was that the passage of either one, but especially the DPP version, would likely raise tension in cross-strait relations because the DPP might have argued that the results from the passed referendum were binding on Chen’s successors. Also, the referenda signified the general populace’s acceptance of using the name “Taiwan” rather than the country’s official name, the Republic of China (ROC), for membership in intergovernmental organizations.

With the above background information, we can examine the impact of Taiwan’s 2008 elections on cross-strait relations through elementary formal analysis.

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The Election Game

The Game Tree

Figure 1 is an extensive or game-tree form of Taiwan’s 2008 “election game.” An arrow indicates the start of the game. It points to a node (●) which stands for the choice facing actor one. In this game, the first decision (“actor 1”) is the January legislative election because it was the first of the three races and the outcome of the legislative election could have an impact on the March presidential election and referenda. For the sake of parsimony, let’s assume “actor one” can have only two “choices” (or the legislative election can have only two outcomes)—either the Pan-Blue (consisting of the KMT, the People First Party, and the New Party) wins the majority of seats in the LY, or the Pan-Green (consisting of the DPP and the Taiwan Solidarity Union) wins a majority of the seats.

The second decision (“actor 2”)—the March presidential election—has two “choices” (outcomes): a victory by either the KMT ticket (Ma-Siew) or the DPP ticket (Hsieh-Su).

The third decision (“actor 3”) is a little more complicated, because two referenda—the KMT-sponsored and the DPP-sponsored, respectively—were to be conducted simultaneously. Logically it can have four “choices” (outcomes): both referenda pass; the DPP-sponsored referendum passes but not the KMT-sponsored referendum (indicated as “DPP Ref pass”); the KMT-sponsored referendum passes but not the DPP-sponsored referendum (indicated as “KMT Ref pass”); and neither referendum passes. Altogether there are sixteen possible outcomes (2 x 2 x 4), each ending with a solid dot (●), indicating the end of the game.

20. Strictly speaking, because the presidential election and the referenda will be held simultaneously (i.e., “actor 3” makes decisions without knowing how “actor 2” has voted), there should be an “information set”—indicated by a dotted envelope—over the third decision (UN referenda). For simplicity and because one can argue that the presidential election and the referenda are held sequentially (implying that the above condition for information set does not hold), I have eliminated that. See Ordeshook, Game Theory and Political Theory, chapter 3.
Players’ Preference Orders and Payoffs

I next identify the three principal players in this election game: the KMT, the DPP, and China (represented by the Chinese Communist Party, or CCP). Including the CCP in this game is justified since this article seeks to analyze the impact of the electoral competition mainly between the KMT and the DPP on cross-strait relations. Prospects of cross-strait relations are shaped importantly by China’s anticipated reaction to the outcomes of Taiwan’s elections. China’s anticipated reaction can be deduced, to some extent, from a discussion of its preference orders in this
game. For the purpose of my analysis, each of these three players is regarded as a unitary rational actor.

My subsequent analysis is based on a few assumptions. Reasonable people may quibble with these assumptions, but I argue that these assumptions are plausible and that even if one alters certain assumptions, the logic of analysis remains the same, albeit the outcomes differ.

For the January legislative election, I assume that the KMT prefers a Pan-Blue majority to a Pan-Green majority in the LY (with the DPP preferring the opposite). This statement seems self-evident and requires little justification, since political parties are assumed axiomatically to want to be in power. I assume that the CCP, despite its “official neutrality,” prefers a Pan-Blue majority to a Pan-Green majority mainly because the standoff between the Pan-Blue and the Pan-Green from 2000-2008 assures China that having a Blue-controlled LY is a counterbalance to a DPP president. To formalize:

- KMT: Blue majority > Green majority
- DPP: Green majority > Blue majority
- CCP: Blue majority > Green majority

For the presidential election, I assume the KMT prefers a KMT victory over a DPP victory, and the DPP prefers a DPP victory over a KMT victory. The CCP prefers a KMT victory over a DPP victory because the KMT candidate is more likely to accept a “one China” precondition for resuming cross-strait dialogue. However, it should be pointed out that Ma Ying-jeou maintained that the KMT’s “one China” means “one China, each side has its own interpretation” (yige Zhongguo gezi biaoshu) which, as far as the KMT was concerned, meant the ROC. By contrast, DPP’s Chen had maintained he would be willing to discuss the meaning of “one China” with Chinese leaders but not accept it as a precondition. Therefore,

- KMT: KMT victory > DPP victory
- DPP: DPP victory > KMT victory
- CCP: KMT victory > DPP victory

Regarding referenda, the DPP’s preferred outcome was that
its UN referendum passed because this would imply a high voter
turnout for the presidential election, thus increasing the chance
of a DPP victory. It would also be a step toward declaring the
independence of Taiwan. Its second preferred outcome was that
both its and the KMT’s referenda passed. Passage would mean
that neither the KMT nor the DPP would benefit from the refer-
endum. Its third preferred outcome was that neither referendum
passed, because even though (as in the both-passing scenario)
the electoral benefits to both parties would be cancelled out, the
DPP attached greater importance to a referendum than did the
KMT. Not passing its referendum would thus mean a larger net
loss for the DPP than for the KMT. The DPP’s least-favored out-
come was for the KMT’s UN referendum to pass, but not the
DPP’s. This would mean that the DPP failed to gain from the
referendum and the KMT benefited from the referendum. It
would also likely mean that the DPP would lose the presidential
election.

- DPP: DPP Ref > both pass > neither pass > KMT Ref

For the KMT, since it emulated the DPP’s UN referendum
out of defensive consideration and had twice boycotted the refer-
endum (in 2004 and 2008), we can assume that it preferred
that there be no referendum, or that no referendum passed. Its
next favorite outcome was that its own referendum passed, fol-
lowed by both referenda passing. The most objectionable out-
come was that the DPP referendum passed.

- KMT: Neither pass > KMT Ref > both pass > DPP Ref

The CCP’s preference order is influenced by the CCP’s gen-
eral antipathy toward direct democracy (rather than democratic
centralism), but its experience with and reaction toward Tai-
wan’s first exercises of referenda in 2004 and 2008—under DPP
tutelage—were especially negative. Like the KMT, the CCP pre-
ferred that there be no referendum, albeit with greater vehe-
mence, because it had elevated the referendum into the polemics
of war and peace. The passage of DDP’s referendum would be
the most adverse outcome. Between the two intermediate out-
comes, the CCP may have preferred “KMT ref” to “both pass.”
Although “both pass” may mean that the KMT’s and the DPP’s referenda mutually cancelled out, it also meant that the DPP’s referendum passed, which indicated popular acceptance of the DPP’s definition of Taiwan’s identity. If only the KMT’s referendum passed, and the KMT won the presidency, the CCP would expect that the future KMT administration would implement the KMT referendum with much discretion.

• CCP: Neither pass > KMT Ref > both pass > DPP Ref

Finally, to differentiate the rank orders of identical preferences, we need to distinguish the relative importance of each of these three elections to the three players. In other words, which election will affect a particular player’s interests the most? This point will become clear later when I discuss each of the sixteen outcomes and why a particular outcome receives a higher payoff than the other.

For the KMT, the most important election was the presidential election, and the least important, or the one it least cared about, was the referendum, with the legislative election in between. Its unfamiliar role as the opposition party for the past eight years taught the KMT the fundamental importance of winning the presidential race. Winning the legislative election would ensure “the status quo” if the DPP’s Hsieh won the presidency. That is, the KMT could continue to block a DPP government. The referendum was the least important because the KMT’s entire approach toward referendum had been conditioned by its opposition to its perception of DPP manipulation of the referendum.

• KMT: presidential > legislative > referendum

For the DPP, the most important election also was the presidential race, because a continuation of a DPP presidency was indispensable to the party’s short-term goal of maintaining its power and to its longer-term goals of amending the constitution or promulgating a new constitution and establishing an independent Republic of Taiwan. The legislative election came in second because, in the event of a KMT presidency, the DPP hoped to counterbalance the KMT with a DPP-controlled LY majority. Ironically, the referendum was the most dispensable interest.
The 2004 experience is illustrative: The referenda, though failed, did help catapult Chen to a second term. In 2008, the referendum remained the means for more important goals, such as winning the presidency and agenda-setting.

- **DPP**: presidential > legislative > referendum

For the CCP, the referendum was the most important because, as stated above, it viewed the UN referenda in war-and-peace terms. The presidential election came next, because without the pressure of a referendum, the CCP may have found it easier to deal with the new ROC president and could afford to appear conciliatory. While the CCP may have had a private preference for the KMT’s Ma over the DPP’s Hsieh, owing to the former’s acceptance of “one China,” it could reasonably expect that even Hsieh would be more acceptable than Chen. The legislative election was the least important, mainly because the CCP had little leverage there given the multitude of contests.

- **CCP**: referendum > presidential > legislative

We can now summarize all the foregoing discussions of players’ preference orders into Table 2.

*Table 2. Preference Order of Principal Players: A Stylized Comparison*

<table>
<thead>
<tr>
<th></th>
<th>KMT</th>
<th>DPP</th>
<th>CCP</th>
</tr>
</thead>
<tbody>
<tr>
<td>LY Election</td>
<td>[K2, D2, C3]</td>
<td>Blue (majority) &gt; Green (majority)</td>
<td>Green &gt; Blue</td>
</tr>
<tr>
<td>Presidential</td>
<td>[K1, D1, C2]</td>
<td>KMT (victory) &gt; DPP (victory)</td>
<td>DPP &gt; KMT</td>
</tr>
<tr>
<td>Referenda</td>
<td>[K3, D3, C1]</td>
<td>Neither pass &gt; KMT Ref &gt;</td>
<td>DPP Ref &gt; both pass &gt; KMT Ref &gt;</td>
</tr>
<tr>
<td></td>
<td></td>
<td>both pass &gt; DPP Ref</td>
<td>neither pass &gt; KMT Ref</td>
</tr>
</tbody>
</table>

Under each row label I add a bracket [ ] with three numbers to notate the relative importance of this particular election to each of the three players. For instance, the notation under the legislative election, [K2, D2, C3] means that the legislative election was the second most important race for the KMT, the sec-
ond most important for the DPP, and the least important for the CCP.

Based on the foregoing discussions, I now follow the principles as spelled out in Table 2 and derive a payoff bracket for each of the sixteen outcomes (see the right-hand side of Figure 1). Each of the payoff brackets contains three numbers: the first payoff number is for the KMT, the second for the DPP, and the third for the CCP. In the case of each player, a payoff of “1” indicates the best outcome, “2” the second best, up through “16” the worst, for this player.

An example will help. What should be the KMT’s best payoff represented as the combination of election results that it most preferred? We know the KMT preferred a KMT presidential victory, a Blue LY majority, and no referendum—in that order, so the best payoff “1” was the fourth top-most outcome (1, 15, 1). The KMT least preferred a DPP presidential victory, a Green LY majority, and passage of the DPP referendum. So the worst payoff “16” should go to the third bottom-most outcome (16, 1, 16). Within each pathway (e.g., KMT presidential victory and Blue LY majority), the payoffs are ranked in accordance with the KMT’s preference order regarding referendum. So the top four form a set, before going to the third set, which results from a KMT presidential victory but a Green LY majority.

Due to space limitation, this example illustrates the principles and rules for assigning payoffs. Readers are encouraged to follow that example and Table 2 to validate the payoffs for all three players under all sixteen scenarios.

Patterns and Prospects

From the above analysis and visualizing Figure 1, we can summarize several patterns. First, not a single outcome is equally acceptable to all parties. In other words, there is no overall best outcome in absolute terms. Second, this model shows that there exists greater congruence in interests between the KMT and the CCP than between the DPP and the CCP. Certainly, I am not questioning the KMT’s allegiance here, nor am I arguing that this congruence alone will be a sufficient condition for cross-strait reconciliation after May 2008. But it does offer an opportunity, as will
be discussed later.

Third, overall, both the KMT and the DPP’s preferences were highest under a unified government led by itself (reading vertically the bottom four outcomes where DPP’s second best, best, fourth best, and third best playoffs are located) and were lowest under a unified government led by the other (14, 13, 16, 15). Between the two scenarios of divided government, both the KMT and the DPP preferred to control the presidency to controlling the legislature.

Fourth, the CCP’s preferences were exceptionally varied under conditions of either unified government (Blue legislature and KMT presidency, or Green legislature and DPP presidency) or divided government. This shows that the CCP attached greater importance to the outcome of the referendum than to either the presidential or the legislative election.

Fifth, we can turn this model into a predictive model by assigning probabilities to each of the decision nodes along the way [e.g., assigning $p$ for Blue LY majority, and thus $1-p$ for Green LY majority; $q$ for KMT presidency and thus $1-q$ for DPP for DPP presidency, so the probability for a unified government under the Green is $(1-p)(1-q)]$. We can thus contextualize the impact of the elections. For instance, certain scenarios may have been very “grim” as far as Beijing was concerned (e.g. 16, 1, 16 which happens when the DPP triumphs in all three elections); they may be very low-probability scenarios. Questions thus arise as to whether it is wise to focus too much policy attention on high-impact-but-low-probability scenarios. In other words, this may lead to excessively risk-averse policy decisions, which may not be optimal.21

Sixth, however, this model serves a “predictive” function in a different sense—that is, once we know the actual outcomes of each of the three elections, we know how much each player will like or dislike that actual outcome.22

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21. But I have refrained from assigning probabilities because such probability assignment may be tinted with subjectivism and may require justification that is beyond the scope of this article.
22. For instance, if the Pan-Blue had won the LY and the presidency and neither referendum had passed (1, 15, 1), we can be reasonably confident that Beijing would have been delighted with those results. (Indeed, this
It should be noted that all these numbers 1, 2...16 are measured on an ordinal scale. A 1 simply means it is a better outcome than 2, 2 is better than 3, and so on. But, I am agnostic about how much better 1 is than 2 (or the distance between 1 and 2) out of concern for inter-coder reliability. Readers may plug in real ratio numbers (e.g., 10, 20, and 20-10=30-20) as they see fit. Nevertheless, the logic remains the same.

Seventh, this model has limits. It is constructed upon my knowledge about the players’ existing policies, preferences, and discourse, and based on several plausible (but nonetheless possibly wrong) assumptions I made. It is very path-dependent. This simple model has not, for example, taken into account the possibility of change.23

This article has sought to illuminate the external impact of Taiwan’s 2008 elections by borrowing some basic concepts and insights from game theory. To do so, I have developed an “election game” by examining each principal player’s preference order regarding each election and the relative importance the player attaches to each election. Figure 1 shows the payoff struc-

23. For instance, the model predicts that China will be very angry with (16, 1, 16): The DPP wins all three elections, and pundits may predict that China may then invoke ASL to use force against Taiwan. But it is also possible that Beijing may learn to deal pragmatically with an outcome not to its liking and will therefore behave differently from what this model would predict. While passage of the DPP referendum seems to cross Beijing’s proverbial “red line,” past experience—the 1996 democratic election of ROC president, the 2000 presidential victory by the pro-independence DPP, the 2004 reelection of Chen—shows that Beijing has been capable of learning not to paint itself into a rhetorical corner. While Beijing has condemned passage of the UN referendum as a “major step” toward Taiwan independence—a casus belli under ASL—much depends on how each major player interprets that outcome. It could be overplayed as an 1812-style “declaration of independence,” or it could be downplayed as a more serious “opinion poll.” In sum, the future is not preordained, and human agency still matters in history.
ture for all possible scenarios. It analyzes the impact of each possible electoral outcome on one aspect of cross-strait relations—Beijing’s possible reaction as deduced from its known preference structure.

According to this model, other things being equal, several conclusions can be summed up.

1. Non-passage of the UN referendum seemed conducive to cross-strait relations.
2. Despite its official “neutrality,” Beijing preferred a KMT president, judging from the congruence between its and KMT’s payoffs.
3. Beijing’s preferences were indeterminate under conditions of unified or divided government. The main driver seems to have been non-passage of the UN referendum.
4. A DPP presidential victory was not as inimical to cross-strait relations as passage of the DPP’s UN referendum. This indicates that Beijing was prepared to deal with a DPP president, even though it preferred a KMT president.
5. In a paradoxical way, since the referenda—Beijing’s main concerns—were more likely than not to fail (due to the high quorum required, a KMT boycott, and U.S. opposition), cross-strait relations should not have been worse, and may well have been better, than during Chen’s second term. Nonetheless, several drivers, such as the one-step voting method, political parties’ mobilization, and possible backfire arising from U.S. criticisms, raised the probability that this year’s referenda would pass.

The next section examines the actual election outcomes, informed by the above analysis.

**Election Outcomes**

*Table 3* summarizes the actual results from Taiwan’s legislative and presidential elections and referenda. It reveals several important findings. First, the new electoral system for the legislative election *prima facie* achieved its intended outcomes. The election solidified the KMT and the DPP as the only major political parties in Taiwan for the foreseeable future. Smaller parties, such as the PFP (a Pan-Blue partner) and the TSU (a Pan-Green partner), were marginalized. They failed to garner any seats in the PR ballot, indicating the five-percent threshold might have been too
Table 3. Results of Taiwan’s 2008 Elections

A. Legislative Election

<table>
<thead>
<tr>
<th></th>
<th>KMT</th>
<th>DPP</th>
<th>PFP</th>
<th>Non-partisan alliance</th>
<th>Independents</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Districts &amp; aborigines (SMD)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><em>Vote share</em></td>
<td>53.50%</td>
<td>38.17%</td>
<td>0.29%</td>
<td>2.42%</td>
<td>3.98%</td>
<td>100%</td>
</tr>
<tr>
<td><em>Seats (1)</em></td>
<td>61</td>
<td>13</td>
<td>1</td>
<td>3</td>
<td>1</td>
<td>79</td>
</tr>
<tr>
<td><em>Seat share</em></td>
<td>77.21%</td>
<td>16.45%</td>
<td>1.26%</td>
<td></td>
<td>1.26%</td>
<td>100%</td>
</tr>
</tbody>
</table>

| Party list nationwide (PR) |           |           |           |                        |              |       |
| *Vote share*             | 51.23%    | 36.91%    | –         | 2.42%                  | –            |       |
| *Seats (2)*              | 20        | 14        | 0         | 0                      | 0            | 34    |
| *Seat share*             | 58.82%    | 41.17%    | 0%        | 0%                     | 0%           | 100%  |

**Total seats:** 81 27 1 3 1 113

(1) + (2)

**Total seat share** 71.68% 23.89% 0.85% 2.65% 0.85% 100%

Voter turnout: 58.50%

B. Presidential Election

<table>
<thead>
<tr>
<th>Nominating party</th>
<th>KMT (Ma-Siew)</th>
<th>DPP (Hsieh-Su)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Votes</td>
<td>7,659,014</td>
<td>5,444,949</td>
</tr>
<tr>
<td>Percentage</td>
<td>58.45%</td>
<td>41.55%</td>
</tr>
</tbody>
</table>

Total eligible voters: 17,321,622

Voter turnout: 76.33%

C. Referenda

<table>
<thead>
<tr>
<th></th>
<th>No. 5 (DPP version)</th>
<th>No. 6 (KMT version)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of votes cast</td>
<td>6,201,677</td>
<td>6,187,118</td>
</tr>
<tr>
<td>Percentage of total eligible voters</td>
<td>35.82%</td>
<td>35.74%</td>
</tr>
<tr>
<td>Number of valid votes</td>
<td>5,881,589</td>
<td>5,686,369</td>
</tr>
<tr>
<td>Agree</td>
<td>94.01%</td>
<td>87.27%</td>
</tr>
<tr>
<td>Disagree</td>
<td>5.99%</td>
<td>12.73%</td>
</tr>
</tbody>
</table>

Result: Does not pass

Total eligible voters: 17,313,854

high. But most importantly, this election portended a two-party system in Taiwan. In fact, the KMT received a huge “winner’s bonus” (a common outcome of plurality/majoritarian electoral systems), beating the DPP by about 15 percent in terms of vote share, but three-to-one in seat share. Aligning with the Non-Party Alliance and independents blessed by the Pan-Blue, the Pan-Blue now controls over three-quarters of all the seats in the LY—more than the majority needed for constitutional amendments. The KMT was the biggest winner, the DPP suffered a crushing defeat, and all smaller parties were marginalized. Voter turnout was 58.5 percent, lower than in legislative elections of recent years.

Second, the March presidential election did not go the way of a “pendulum swing,” as DPP loyalists had hoped. Instead, it symbolized “the second shoe that dropped.” The KMT ticket, Ma-Siew, beat the DPP ticket, Hsieh-Su, by 16 percentage points or over two million votes. Voter turnout was 76.3 percent, the lowest since 1996. While the results symbolized the voters’ stinging verdict of the Chen administration’s eight-year rule, Ma’s wide margin of victory surprised most analysts. For the first time since 2000, Taiwan has a unified government: The KMT controls both the executive and legislative branches. While some people may have feared abuse of power, the elections clarified accountability and made responsible party politics theoretically more possible. The voters gave the KMT a mandate. Taiwan fulfilled political scientist Samuel Huntington’s “two-turnover” test for a consolidated democracy. In terms of theories of democratization, the 2008 elections represented major steps in Taiwan’s democratic development.

Third, the controversial UN referenda did not pass due to the same reason as the previous four: failure to reach the requisite quorum. Close to 36 percent of voters voted in the referenda (less than the 50 percent required), with the DPP version receiving slightly more turnout, and more affirmative votes. The DPP’s strategy of mobilizing partisan support and using the referendum to boost turnout for its presidential candidate clearly—a strategy that was said to contribute to Chen’s narrow reelection victory in 2004—failed this time. Ever since Taiwan promul-

gated nationwide referenda in the 2004 election, no referendum has passed. Partisan manipulation undoubtedly contributed to this. But it is equally important to look into whether the quorum is too high, considering the political cleavage in Taiwan politics.

In a nutshell, the overall outcomes of the three elections of 2008 can be summarized this way. The DPP’s loss is the KMT’s gain. The failed referendum defused a potential volatile situation. And China and the United States also stood to benefit from the results. Returning to Figure 1, the results are summarized in the (1, 15, 1) outcome—the best overall outcome for the KMT and the CCP, respectively, and the second-worst outcome for the DPP.

Prospect: A Fresh Opportunity?

As analyzed earlier, the CCP should be quite pleased with the election results, based on its known preference structure. In that regard, the elections opened a fresh opportunity for improving cross-strait relations. But it is important to note that it is merely an opportunity, one that can lead to important breakthroughs in this difficult relationship or slip away. Beijing more than Taipei bears more responsibility in the next few months for improving cross-strait relations for reasons that will be explained below.

First, during campaigns, both Ma and Hsieh vowed to improve cross-strait relations, signaling a departure from Chen’s shrill independence move. Ma in particular stressed the importance of “normalizing” cross-strait relations: further liberalization of cross-strait trade and investment, incremental but accelerated progress toward direct flights between the mainland and Taiwan, and admission of more Chinese tourists. If Beijing can “cooperate” on some of these issues, it will empower Ma and contribute to stability in cross-strait relations. Conversely, if Beijing does not meet Ma halfway, it will undermine Ma’s credibility among Taiwan’s moderate voters and validate the DPP’s claim that Beijing cannot be trusted. The first few months of the Ma presidency could be a “honeymoon” period. The U.S. government is also likely to respond more favorably to Chen’s successor.

Second, Beijing’s policy toward Taiwan under CCP General
Secretary Hu Jintao has refocused its priority on preventing independence rather than forcing unification, adopting more conciliatory rhetoric and pragmatic tactics but maintaining essentially the same policies. For example, while upholding China’s policies of “peaceful reunification under “one country, two systems,” Hu Jintao, in his work report to the 17th National Congress of the CCP, called on Taiwan to negotiate under the “one China” precondition—ending the state of hostility across the strait, leading to a “peace agreement.” Under the overarching strategy of “peaceful development” and “harmonious society,” Beijing clamors for a peaceful international environment, especially in the lead-up to the summer 2008 Olympics Games in Beijing.

On his part, Ma campaigned on “three noes”: If he was elected, he pledged that there would be no unification, no independence, and no war in his term. There thus exists some overlap between CCP’s and KMT’s positions, and it is these common “gray areas” that both sides are cautiously exploring for elements of a potential modus vivendi.

In 1992, representatives of the semi-official Strait Exchange Foundation (SEF) and Association of Relations Across the Taiwan Straits (ARATS) reached a deadlock over the issue of “one China,” which Beijing required as a prerequisite for cross-strait dialogue. The two sides reached a compromise of some sort (agree to disagree). Beijing’s understanding was that both sides had respectively agreed, through verbal means, to “one China” (ge biao yi Zhong), but did not go into the meaning of that “one China.” Taipei’s understanding was “one China, but each has its own interpretation” (yi Zhong ge biao), or yige Zhongguo, gezi biaoshu). Allegedly on this basis, the heads of SEF and ARATS met in Singapore in 1993 and established a framework for cross-strait dialogue. The SEF-ARATS dialogue was suspended in 1995 after Beijing reacted angrily to former Taiwan president Lee Teng-hui’s visit to his alma mater, Cornell University. In the late 1990s, Chi Su, a key KMT aide and the new National Security Advisor to President Ma Ying-jeou, coined the phrase “92 Consensus” (jiuer gongshi) as a shorthand for the political basis for

cross-strait dialogue during the Lee Teng-hui era.26

Upon assuming office, Chen Shui-bian maintained that he could not find any reference to “92 Consensus” in the negotiation records. He said that his government would agree to talk with China about “one China” as a topic (yiti) but would not accept it as a precondition (qianti). There was thus no semi-official dialogue such as SEF-ARATS during the Chen administration.27

Interestingly enough, Beijing now seems to be willing to use the phrase “92 Consensus” as a supposed “one China precondition.” According to U.S. National Security Advisor Stephen Hadley, Chinese President Hu Jintao reportedly mentioned that he was willing to resume cross-strait dialogue based on the “92 Consensus.” This occurred in his telephone conversation with President George W. Bush after Taiwan’s March presidential election.28

Third, there is no great impetus, pressing need, or moral justification for Beijing to behave belligerently. The referenda failed, for the reasons mentioned above. Moreover, even if one or two referenda had passed, how Taiwanese and Chinese leaders would have interpreted those results and how Taiwanese leaders would have chosen to implement the results should be observed first. Lastly, in a year when Beijing is dealing with a series of internal and external challenges—the natural disasters in January (snow storm) and May (earthquake), the uprising and repression in Tibet, and the protests along the Olympic torch route—it has an incentive to avoid troubles on the Taiwan
front. The outcomes of Taiwan’s elections substantially relieved that concern. In April China invited Siew to the Boao Forum. Though Siew attended as the head of a foundation promoting cross-strait common market, the significance of the first vice president-elect’s visit was not lost.

After Ma’s inauguration, in late May, the CCP invited KMT Chairman Wu Po-hsiung to visit. Although it was then-KMT Chairman Lien Chan who in 2005 pioneered the KMT-CCP dialogue, the KMT was in opposition then. Wu’s visit would symbolize the first-ever visit to China by the head of Taiwan’s ruling party. Symbolism notwithstanding, China appears eager to lock in the KMT’s commitment to the “92 Consensus.” Whether Beijing would seize that opportunity to reach some kind of modus vivendi with Taiwan under Ma remains to be seen. The first test is whether Beijing would cooperate by allowing weekend charter flights with Taiwan and allowing mainland tourists to visit Taiwan, thus enabling Ma to fulfill his first campaign promise. The most difficult tests would be whether China would feel reasonably assured so as to change its obstruction of Taiwan’s quest for greater international space and reduce its military threats vis-à-vis Taiwan.

However, tension cannot be ruled out. Beijing’s unease with the temporary instability unleashed during Taiwan’s democratic convulsion was illustrated by comments by Colonel Zhu Shaopeng of China’s Academy of Military Science. Zhu warned that “If Taiwan independence elements continue challenging the ‘one China’ principle, there will surely be a war in the Taiwan Strait.” He predicted that China and Taiwan would fight a “small war” (xiao da): To exert pressure on Taiwan and to prevent American intervention, the People’s Liberation Army (PLA) may seize Taiwan-held offshore islands of Kinmen and Matsu, capturing the 40,000 Taiwanese troops there, because the Taiwan Relations Act does not cover these islands. Zhu’s threats were unusual in that up until now, Beijing has preferred preventive diplomacy to military threats; it has also preferred to ask the United States to put pressure

on Taiwan, rather than itself blustering and intimidating, which backfired in the past.

Ultimately, the U.S. attitude is a crucial factor that influences the magnitude of the external impact of Taiwan’s elections. At a time when its forces are overstretched in the Middle East and Southwest Asia and facing the challenge caused by a nuclear North Korea, the United States regrettably at the present time is simply not prepared to support Taiwan’s quest for greater international recognition if it risks tension with China, whose cooperation on various global and regional issues the United States needs.

Finally, the referendum was the catalyst that connects Taiwan’s internal-external nexus. On the one hand, the DPP would endeavor to make the referendum more routine on Taiwan’s electoral calendar so as to lay the groundwork for any possible future constitutional revision, which requires ratification by Taiwan’s voters, or a plebiscite that decides on Taiwan’s ultimate relationship with China. But the DPP would justify this electioneering in the discourse of democratic deepening or consolidation. On the other hand, the KMT would continue to appear ambivalent and defensive, and China and the United States would continue to appear anxious and concerned about Taiwan’s referenda with implications for cross-strait relations. Their overreaction may pose a threat to limiting the scope of Taiwan’s democratic development. That most of the hitherto national referenda have appeared to be ploys used by political parties to advance narrow partisan interests cannot but increase the cynicism of quite a number of Taiwanese voters and diminish the value of referendum as a tool to promote direct democracy. Internationally, the failure of Taiwan’s electorate to pass a referendum to advance Taiwan’s UN bid as a result of Machiavellian gamesmanship may help obscure the real object—the Taiwanese people’s quest for greater voice and dignity in the international community—and make it more difficult for various countries important to Taiwan’s security and livelihood to publicly display their sympathy. But these reflections deserve a separate study.

Fortunately, before the momentous 2008 is over, we should be able to take stock on how these various factors—Taiwan’s elections (which resulted in a second rotation of power, an indicator of democratic consolidation, and increasing use of referen-
dum), China’s quest for glory and stability, and America’s preference for the status quo—will combine to influence cross-strait relations. I, for one, am willing to be cautiously optimistic.

**Principal References**


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