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**Nationalism and Its Effects  
On Foreign Economic Policy**

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## ABSTRACT

This paper explores the impact that nationalism and national identity have on a state's foreign economic policies and trade with other countries. In order to understand the impact that nationalism has on trade and foreign economic policy, this paper examines multiple presidential administrations from the Republic of China (Taiwan). Within each administration, this paper analyzes speeches, interviews, and policies to understand how leaders and the public utilize national identity to shape trade and economic relations. The findings of this paper demonstrate that nationalism likely does shape economic and trade policies by diverting trade away from political rivals or countries that conflict with nationalist goals. However, this only holds true when the economy is healthy. When the economy is unhealthy, nationalism has less of an impact on trade, as the direness of the economic situation prevents policies from being selective with where the state's economic growth comes from.

## 1. INTRODUCTION

How does national identity impact a state's economic policies towards other countries? More specifically, how has Taiwan's national identity politics impacted its leaders' implementation of economic policies towards the Mainland? In an increasingly nationalistic and isolationist yet economically globalized world, the question of how nationalism and national identity impact a state's economic policies is an increasingly pertinent one. Understanding the effects of nationalism on international trade policy can help predict future trends in economic growth, economic relations, and globalization. One relevant example is the case of the Republic of China (Taiwan) and its policies towards the People's Republic of China (Mainland China), where both political tensions, rhetoric surrounding national identity, and economic relations remain high. As for defining nationalism, I will borrow from Benedict Anderson's *Imagined*

*Communities* (2006), defining nationalism or national identity as a perceived shared ethnic identity and community amongst a group of people.

Existing literature discussing nationalism and its relationship to economics is incomplete in addressing the specifics of how nationalism can impact trade and under what circumstances nationalism has these impacts. Liberal arguments discussing the role of economics in theories of peace and economic interdependence pay little attention to nationalism, and generally regard the economic benefits of trade as being more salient than issues like nationalism. These arguments do not address nationalism specifically, but the implication can be inferred given that economic interdependence theories hold that trade can eliminate conflict and war entirely, overshadowing domestic concerns like nationalism (Rosecrance 1992; Copeland 1996; Russett and Oneal 2001). This presents the key alternative explanation to my argument, as liberal theorists assign little attention or importance to nationalism in shaping foreign economic policy.

Realist conceptions however, such as that of Mearsheimer (2018), argue that nationalism can be more salient than other liberal goals such as economic interdependence. This position is further supported by work discussing the role of nationalism in instigating war and conflict, suggesting that nationalism can become more salient in guiding a country's policies than healthy economic relations (Stephen Van Evera 1994; Mearsheimer 2018). Yet, as the case of Taiwan shows, not all countries hope to pursue war, and nationalism does not necessarily manifest itself in military aggression. More in line with my argument, Baughn and Yaprak (1996) discuss how nationalism can lead to more protectionist and isolationist policies. However, this study is 26 years old, based on surveys of Americans, and views economic nationalism as synonymous with economic isolationism, whereas other cases, like Taiwan, result in nationalism expanding economic relations to avoid reliance on specific political rivals, i.e. the PRC. Realist works on

nationalism and economic relations will be important for building the theory behind my argument, but they are incomplete in dealing with the specifics of nationalism's potential impacts on foreign policy, thus warranting elaboration.

Research specific to Taiwan, while helpful for providing the necessary knowledge and foundations to my argument, does not address the role national identity plays in Taiwan's economic policy. There is research on Taiwan's national identity politics, as well as the general constraining impact it can have on Taiwan's foreign policy, but this research is either outdated given the evolution of Taiwan's identity politics (Chu 2004; Chang and Wang 2005) or does not discuss the way identity directly impacts Taiwan's economic relationships (Wang and Liu 2004; He 2014). There is also research on economic interdependence between Taiwan and China, but this neglects the importance of identity and nationalism for either side (Chen 1996; Kastner 2007; Kastner 2009; Bing 2017; Hsu 2017). This research is important for my understanding of cross-strait politics and economics, but it does not directly address the question at hand.

I argue that national identity politics does have an impact on a state's economic policies, and in states with strong national identity concerns, national identity will generally outweigh economic concerns in the creation of economic policies. As such, politicians may favor economic policies that are more protectionist and do not benefit rival states, even if those policies pose more risk to the state's economy. However, I caveat this argument that such decisions are dependent on the overall health of a state's economy. The worse a state's economic situation is, the costlier it becomes to make economic policies based on nationalist motivations which may sacrifice economic gains. Therefore, I also argue that the salience of national identity compared to economic policy decreases the worse off the subject state's economy is.

As mentioned, for this project I will examine the case of Taiwan, using the Chen Shui-bian, Ma Ying-jeou, and the current Tsai Ing-wen administrations as case studies of how national identity impacts economic policy. For each administration, I will conduct a discursive analysis of the presidents' speeches, policies, campaign statements, public addresses, and government statements, looking for comments relating to national identity, such as mentions of a Taiwanese ethnicity, sovereignty, and independence. I will then discuss in each administration how their presidential discourse reflected economic policy. Examining how comments on identity relate to Taiwan's economic policy will indicate the rationale behind such policies and if sentiments about identity played a role in their implementation. After collecting data, primarily from speeches, images, news sources, signs, documents, and government websites, I will compare and contrast the use of identity discourse and economic policies between administrations, and subsequently determine if the findings from each case support my argument.

In the second section, this paper will discuss existing literature on the topics of nationalism and how nationalism impacts foreign policy, while also acknowledging and addressing alternative answers to my research question from this literature. In the third section, I will lay out the theory of my argument. Fourthly, I will describe my methods for analyzing the three case studies. In the fifth section, I address the intended functions as well as limitations in my empirics. Then I will begin the case studies, first examining the Taiwanese nationalism and economic policies of Chen Shui-bian. The second case study examines Chen's successor, Ma Ying-jeou, including his Chinese nationalist sentiments and subsequent economic policies, as well as public resistance to his Chinese nationalism and the effects that that resistance had on Taiwan's trade policy. Lastly, I examine these same components in the Tsai Ing-wen presidency,

but due to less evidence from Tsai's administration, I also explore a sub-case of Tsai's political rival, Han Kuo-yu, and his use of Chinese nationalism.

## 2. LITERATURE REVIEW

Literature discussing the relationship between nationalism and foreign policy in general, not only economic policy, has been subject to disagreement in political science literature for decades. However, literature specific to the importance of nationalism on economic foreign policy is limited. Where nationalism is discussed, greater emphasis is placed on its role in instigating war and conflict, and where trade is discussed it, it is often discussed in the context of its relationship to war as well. Therefore, since my paper is ultimately a discussion of the salience of nationalism in dictating economic foreign policy, examining tangentially related literature discussing the relationship between nationalism and conflict and trade and conflict can provide some insight into what existing theories might suggest about my research question. First, I will examine what is explicitly said about the relationship between nationalism and trade, and then I will supplement this discussion by exploring other marginally related and insightful literature on the dynamics between trade, conflict, and nationalism.

Speaking more closely to the relationship between nationalism and economic relations, John Mearsheimer's *The Great Delusion* (2018) discusses the impact of nationalism on liberal conceptions of international peace, including economic interdependence. Mearsheimer argues that, although liberalism and nationalism can coexist, nationalism often overrides liberalism, such as the idea of economic interdependence fostering peace, due to liberals' propensity to downplay nationalism and overemphasize individuality. He also argues that security competition strengthens hyper nationalism, and that nationalism primarily serves to protect self-determination

and prevent foreign interference within a country (Mearsheimer 2018). However, Mearsheimer's argument is primarily theory based, and he does not present much empirical support.

A specific example supporting Mearsheimer's argument (2018) can come from literature discussing the recent rise of nationalism in China. Research specific to Chinese nationalism has evolved over time, shedding light on China's foreign policy goals. Crane (1994) discusses the importance of economics to China's national identity, with economic policies being both a product of and influencing Chinese nationalism. Abanti Bhattacharya (2007) depicts Chinese nationalism as a reaction to historical humiliation at the hands of Japan and the West, with China relying on trade and assertive foreign policy to achieve its goals of nation building and great power status. Suisheng Zhao (2013) reiterates Bhattacharya (2007), noting that Chinese popular nationalism and desires for national rejuvenation have risen, and due to newfound confidence abroad as well as domestic fears, the state has played into popular nationalism by enacting more aggressive foreign policy (Zhao 2013). China's use of trade for assertive nationalist goals aligns with Crane's (1994) argument, and it also indicates that development via trade is a means to an end of global dominance, not an end in itself, suggesting that these nationalistic sentiments outweigh potential benefits of economic interdependence.

Furthermore, Ketian Zhang's 2019 paper, "Cautious Bully: Reputation, Resolve, and Beijing's Use of Coercion in the South China Sea" asks how and in what scenarios does China use coercion, and Zhang finds that as China grows stronger, it uses military coercion less and less, instead relying on diplomatic and economic leverages and coercion when needing to send signals of resolve. This follows the argument of Farrell and Newman (2019), who argue that great powers can increasingly use economics as a coercive tool for their goals through what they label "weaponized interdependence" (Farrell and Newman 2019, 45). This and Zhang's (2019)

argument also help clarify Zhao's (2013) argument of in what ways China's foreign policy is aggressive. China's growing nationalism, coupled with its willingness to damage economic relations in pursuit of those nationalistic goals through economic coercion, supports the notion of nationalism's greater salience than trade benefits, and while this example speaks to the PRC and not Taiwan, the same principles may apply in the case of Taiwan as well.

Baughn and Yaprak (1996) offer quantitative evidence supporting these arguments through surveying nationalistic attitudes of Americans and comparing their responses to their views on buying American goods and supporting protectionist policies. The results of their study indicate that nationalist attitudes correlate with economic protectionism, supporting my argument.

However, this study is 26 years old, based on surveys of Americans, and views economic nationalism as synonymous with economic isolationism, whereas other cases, like Taiwan, result in nationalism expanding economic relations to avoid reliance on specific political rivals, such as the PRC. These sources are important for building the theory behind my argument, but they are incomplete in dealing with the specifics of nationalism's potential impacts on foreign policy or under what circumstances nationalism is more likely to play a role, thus warranting elaboration.

Looking towards other areas of research at the intersection of conflict, trade, and nationalism can also provide insight into existing attitudes towards my posed research question, given the limited research there is specific to the relationship between nationalism and trade. Looking at conflict research may act as a distant proxy for nationalism's impacts on foreign policy. For this body of research, a broad disagreement exists between realist and liberal thinkers of international relations.

Realists argue that other issues such as political conflict, concerns for power, and nationalism can outweigh potential benefits of economic interdependence between states, leading

to conflict despite close economic ties (Knorr 1977; Waltz 2001). When it comes to nationalism and conflict, there are several theories as to how nationalism can lead to war. Barry Posen (1993) discusses the military implications of nationalism, arguing that nationalism is used as a means of creating mass armies and readying willing participants for conflict. He also acknowledges that it is difficult to determine if nationalism itself leads to war, as nationalism is often a product of conflict itself (Posen 1993). Stephen Van Evera (1994) addresses the endogeneity problem presented in Posen's work over the likelihood of nationalism leading to war. Evera presents several hypotheses as to how nationalism can increase the likelihood of conflict. The four hypotheses of direct causes increasing the chances of conflict include a higher proportion of state-seeking stateless nationalities; the more a state pursues annexing territory to recover diasporas; the hegemonic goals of the state; and how many minorities are oppressed within the country (Evera 1994). While not completely in agreement, realist arguments suggest nationalism can lead to war, and if nationalism can lead to war, then the unstated implication of this is that nationalism may also then supersede other potential foreign policy goals like trade.

Liberal arguments tend to express their views on the importance of nationalism implicitly as nationalism is rarely addressed explicitly. These liberal arguments are thus the predominant source of alternative explanations to my argument, in that they address other factors and ignore nationalism. They argue that states will pursue economic relationships and interdependence with other states due to the economic benefits that such trade provides. As such, economic interdependence is more salient than other issues such as conflict or nationalism (Rosecrance 1992; Russett and Oneal 2001). In Russett and Oneal's 2001 *Triangulating Peace: Democracy, Interdependence, and International Organizations*, Russett and Oneal sought to quantitatively test liberal arguments on the role of globalization on international conflicts. As the title suggests,

they looked at the pacifying effects of democracy, institutional interdependence, as well as economic interdependence. In their study of economic interdependence, they found that economic interdependence and a state's economic openness demonstrate a reduced likelihood of international conflict, supporting the liberal arguments for economic interdependence (Russett and Oneal 2001).

Mearsheimer challenges Russett and Oneal (2001) in his 2018 *The Great Delusion*, acknowledging that economic interdependence can offer some peace stabilizing benefits, but overall is not as effective as liberals contend. This is due to reasons Mearsheimer lays out in *The Tragedy of Great Power Politics* (2001), in that economic slumps mean that the benefits of such economic interdependence that is preventing conflict are removed, and states are often not economically dependent on only one or two states, meaning a quick war may still reap benefits for a state which outweigh potential gains from trade. While this addresses the relationship between trade and conflict, Mearsheimer's arguments still suggest that trade benefits are not as salient as liberals contend.

Another example of the liberal view which addresses Taiwan specifically comes from Scott Kastner's 2007 "When Do Conflicting Political Relations Affect International Trade?" Kastner argues that the constraining impact that conflict has on international trade is reduced when the countries involved have internationalist economic interests with large amounts of political clout. This means that when such interests, such as businessmen, have more say in politics, they will promote greater trade in spite of whatever political differences or conflicts exist with potential trade partners (Kastner 2007). Kastner supports his view with a case study of Taiwan during the Chen Shui-bian administration, where he discusses how interviewees from the administration mentioned the immense pressure businesspeople placed on the administration to

open up trade with the Mainland (2007). However, Kastner's research is void of any discussion on the impact that Taiwanese nationalism might have had on Taiwan's trade relations with China, despite the explicit nationalist rhetoric that Chen was in part known for. Kastner (2007) thus represents the liberal attitude to ignore nationalism's role completely, instead focusing only on economic interests.

In 1996, Dale Copeland presented his own account of economic interdependence and its impact on conflict, attempting to blend the two notions of liberalism and realism. Copeland argues that trade does foster peace, but only when states have positive expectations for trade in the future. When there are fears that trade will fail or decline in the future, then the realist conception becomes more applicable, and expectations of conflict become more likely (Copeland 1996). Copeland, like Mearsheimer (2018), looks to the case of World War I as evidence for his theory. While there was economic interdependence between the warring European countries before the outbreak of war, war still occurred not due to a failure of the pacifying effects of trade, but because expectations of that existing economic interdependence broke down (Copeland 1996).

However, Copeland's argument has its own limitations, including broader limitations of both the liberal and realist arguments that he borrows from. Firstly, Copeland's argument suffers from endogeneity. How can it be known that low expectations of trade are making war more likely, or if the likelihood of war makes future expectations of trade less likely? An issue with his theory as well as other liberal conceptions is that they do not address the possibility of trade imbalances, where instead of mutual cooperation amongst trading partners, one state may be more dependent on another state. In such a scenario, positive expectations of trade or the already existing benefits of trade may not provide enough benefits to outweigh potential benefits of war,

a sentiment shared by Mearsheimer (2001). Russett and Oneal (2001) also did not find quantitative support for Copeland's theory when performing their own analyses.

Furthermore, both Copeland (1996) and Mearsheimer (2001) seem to ignore the possibility that weaker states may not have the capabilities to go to war, and would rather maintain a less ideal status quo of trade than risk conflict. In both of their attempts to implement the case of World War I into their respective arguments, neither Copeland nor Mearsheimer address other factors that may motivate war despite costs to their economies, such as the role of nationalism (Copeland 1996; Mearsheimer 2001). Overall, while there is a small amount of research that directly addresses my research question, most, especially liberal arguments, ignore the effects nationalism may have on trade. Realist arguments sometimes mention nationalism, but these instances too do not fully address my research question. As such, my research can both amend and complement existing research on nationalism and economic-interdependence.

### 3. THEORY

My argument follows the reasoning of the realist literature discussed previously, but I importantly qualify the significance of nationalism via rational choice theory and the opposing liberal arguments I discussed. I argue that national identity politics does have an impact on a state's economic policies, and in states with strong national identity concerns, national identity will generally outweigh economic concerns in the creation of economic policies. As such, politicians may favor economic policies that are more protectionist and do not benefit rival states at the cost of economic health. As Mearsheimer (2018) notes, nationalism has the potential to be more salient of an issue than other policy and economic goals. While only looking at public opinion and Americans, Baughn and Yaprak's (1996) findings further support the impact nationalism has on foreign economic policy. Realist literature discussing the impact that

nationalism has on conflict also supports my argument (Van Evera 1994), as it demonstrates other state goals can supersede benefits of economic development and trade, implying that nationalism may also become more important for a state than economic benefits from trade.

However, I caveat this argument that such decisions are dependent on the overall health of a state's economy. Although I argue nationalism is important, trade too is important, and therefore many of the liberal arguments on the benefits of trade (Kastner 2007; Russett and Oneal 2001; Rosecrance 1992) still apply to my argument in that nationalism may not always supersede the benefits trade may offer. When nationalism becomes more salient is situational, and therefore, I argue that the worse a state's economic situation is, the costlier it becomes to make economic policies based on nationalist motivations. I also argue that the salience of national identity compared to economic policy decreases the worse off the subject state's economy is.

As such, my theory borrows from both realist and liberal arguments. It is realist in that I acknowledge and assign importance to the role that nationalism plays in a state's foreign policy decisions. It is liberal in that I still recognize and support the liberal theories that espouse the importance of peace and trade in foreign policy decisions, but I hold that these liberal arguments are incomplete in ignoring nationalism entirely.

#### 4. METHODOLOGY

As mentioned previously, this project examines the case of Taiwan, using the Chen Shui-bian, Ma Ying-jeou, and the current Tsai Ing-wen administrations as case studies of how national identity impacts economic policy. For each administration, I will conduct a discursive analysis of the presidents' speeches, policies, campaign statements, public addresses, and government statements, looking for comments relating to national identity, such as mentions of a Taiwanese ethnicity, sovereignty, and independence. I will then discuss in each administration how their

presidential discourse reflected economic policy. After collecting data, primarily from speeches, images, news sources, signs, documents, and government websites, I will compare and contrast the use of identity discourse and subsequent economic policies between administrations.

Examining how comments on identity relate to Taiwan's economic policy will indicate the rationale behind such policies and if sentiments about identity played a role in their implementation.

In conducting the discursive analysis, I will borrow from Maria Cheng's (2006) study on the language used in Chen Shui-bian's two inaugural addresses. Cheng (2006) examined frequency of key term usage relating to different identity and belief systems of the Taiwanese public, such as uses of the term "Taiwan" as opposed to "Republic of China," "we" versus "I," "sovereignty," "country," etc. (Cheng 2006, 589). I will use her article extensively throughout the Chen case study, but I also apply its method and techniques for discourse analysis to other interviews of Chen that she does not address as well as the inaugural addresses and interviews of Ma and Tsai.

## 5. EMPIRICS

It is important to address how the empirics of this study, being the three Taiwanese presidential administrations, provide insight into answering my proposed research question. To illustrate how these case studies are used and what they show, I first address a key limitation to this study. This limitation is that it is difficult to identify a clear causal mechanism between a leader's use of nationalistic rhetoric and the economic policies that they implement.

Demonstrating this mechanism of action necessitates a verbal smoking gun, where leaders explicitly state their claims and the reasons behind those claims, but such instances of evidence likely do not exist publicly.

This is more of a problem with some of the cases than others. Chen and Ma are much more explicit in their uses of nationalistic rhetoric, and provide statements that do suggest a strong link between these sentiments and the economic policies they pursue. Tsai on the other hand has openly stated her intentions to be more moderate in her uses of rhetoric (Tsai “President Tsai” 2020), and thus only provides a weaker link between her nationalism and the influence this nationalism has on her proposed economic policies.

Because of these limitations, particularly in the Tsai case, this paper cannot conclude concretely that this mechanism is present. However, what this paper can show is that this mechanism is highly plausible, and as Table 1 demonstrates, the cases show a clear pattern throughout the example of Taiwan that supports the causal mechanism and argument of this paper. When a leader uses strong Taiwanese nationalistic rhetoric, the leader then implements policies that deemphasize economic relations with Mainland China, unless Taiwan’s economy is in crisis. When the economy is in crisis, the public is more likely to elect politicians that do not rely on Taiwanese nationalism and leaders strengthen economic relations with the Mainland. While at times the dearth of explicit evidence available suggests a weak link between nationalism and economic policy in my cases, the theory I have presented, supported by the patterns seen throughout three of Taiwan’s presidential administrations, indicates that nationalism may likely play a role in influencing foreign economic policy. And if nationalism truly does have an impact on foreign economic policy, it would likely manifest itself through the means depicted in my central argument.

Table 1			
President	Rhetoric/Nationalism	State of Economy	Policy
Chen Shui-bian (2000-2008)	Strong use of Taiwanese nationalism.	Poor early on in administration, improved during the rest of administration.	Opened trade relations with the Mainland early on during administration, attempted to divert trade from the Mainland during rest of administration.
Ma Ying-jeou (2008-2016)	Strong use of Chinese nationalism. Did not rely on Taiwanese nationalism.	Elected during Great Recession, but economy improved during second term.	Policies further opened relations and trade with Mainland. In 2014, when Taiwan emerged from the Great Recession, Taiwanese nationalist-influenced public pushback stopped Ma's further economic integration policies.
Tsai Ing-wen (2016-Present)	Moderate use of Taiwanese nationalism, but increased in strength over course of administration.	National economy experienced no major recession or decline.	Policies emphasized Taiwanese economic independence and trade relations with Southeast Asia over the Mainland.

## 6. CHEN SHUI-BIAN ADMINISTRATION

First, I explore the administration of Chen Shui-bian, who was the ROC's president from 2000 to 2008. The Chen administration is a useful example for examining the importance of Taiwanese nationalism, as Chen was the first DPP president of Taiwan, and his administration saw Taiwanese identity become the most popular form of self-identification amongst Taiwan's public for the first time (“臺灣民眾” 2022). I will examine Chen's speeches, policies, campaign

statements, and interviews, looking for comments relating to national identity, such as mentions of Taiwanese ethnicity, sovereignty, and independence. I will then discuss how his discourse compared to his actual economic policy. Examining how comments on identity relate to Taiwan's economic policy will indicate the rationale behind such policies and if sentiments about identity played a role in their implementation.

Chen Shui-bian's rhetoric as president of Taiwan relied on verbiage that represented his pro-independence sentiments. This pro-independence and Taiwanese identity rhetoric persisted consistently throughout both terms of office, from 2000 to 2008. Some of the best examples of Chen's use of Taiwanese nationalist rhetoric can be seen through his inaugural addresses, which I will examine first. These inaugural addresses are broadcast not only to those who voted for Chen, but they address KMT supporters, Taiwanese who did not vote, the PRC, the US, and the international community as a whole. Therefore, while nationalist rhetoric may be toned down in the inaugural addresses to accommodate these various audiences, the continued presence of this rhetoric then becomes more telling of how closely Chen values the beliefs expressed in said rhetoric. Maria Cheng (2006) presents an analysis of the verbiage used in both of Chen's inaugural addresses, looking for what she describes as "key tokens," which are specific terms that symbolize Chen's values and ideology (Cheng 2006, 589). This includes words such as "hope," "compatriots," "peace," "human rights," "freedom," "new," "democracy," and, most important for my research, the terms "Taiwan," "people," and "Republic of China" (Cheng 2006, 589).

In Chen's first inaugural address, there were 50 uses of word "Taiwan" against 9 uses of the term "ROC." Taiwan was also the most commonly used word after uses of the term "we." Similarly, the second inaugural speech in 2004 saw the use of the term "Taiwan" 72 times

compared to the use of “Republic of China” again only 9 times (Cheng 2006, 589). Contrasting this to the verbiage of Chiang Kai-shek and Chiang Ching-kuo, who would refer to Taiwan as a “model,” “base,” or “province,” Chen referred to Taiwan as “a better stronger nation,” “a member of international society,” and “a complete free and democratic society” (Cheng 2006, 591). The use of the term “Taiwan” serves to differentiate the nation from its official title of the Republic of China, and in doing so, Chen not only uses “Taiwan” to define a country, but to define a people and identity as well. As Chen stated in his first inaugural address: “Taiwan stands up, demonstrating a firmness of purpose and faith in democracy. Taiwan stands up, representing the self-confidence of the people and the dignity of the country. Taiwan stands up, symbolizing the quest for hope and the realization of dreams” (Cheng 2006, 595). Despite not explicitly discussing Taiwanese independence, the rhetoric used in both inaugural addresses reflects independence-oriented sentiments, and would lead to the expectation of more caution and distance in regards to relying on the Mainland.

Chen’s tone, as noted before, was comparatively moderate during his inaugural addresses. Outside of these addresses, both in his presidential campaigns and public interviews, Chen took a much more concrete and ideological position on Taiwanese independence. For example, during his campaign in the lead up to the 2004 election, Chen employed the campaign slogan “Taiwan, Yes!; (China, No!),” which sent a clear message about Taiwanese identity (deLisle 2004). This was also accompanied by mocking the KMT’s status as the “Chinese Nationalist Party,” pushing KMT politicians to continually reaffirm their loyalty to Taiwan and to lessen their rhetoric of eventual unification with the Mainland (deLisle 2004). As such, Chen’s independence leaning and Taiwanese identity rhetoric also accompanied implications for Taiwan distancing itself from the Mainland.

These views were also apparent in interviews throughout his two terms. In an interview with TIME magazine in 2004, a month before the election for his second term, Chen stated that, “of course, Taiwan is an independent, sovereign country. I think, apart from a very few, most Taiwanese people firmly believe that Taiwan is an independent, sovereign country” (Chen “Strait Talking” 2004). And then three years later towards the end of his second term in 2007, Chen stated in an interview with New York Times that:

The stance and belief of the majority of Taiwan’s 23 million people is very clear, namely that Taiwan is an independent, sovereign country. Taiwan is not part of China, nor a local government of the People’s Republic of China (PRC). Eighty-five percent of the people of Taiwan believe that our sovereignty only extends to Taiwan, Penghu (the Pescadores), Kinmen, and Matsu, and does not include mainland China. Moreover, 70 percent of our people regard themselves as Taiwanese and not Chinese. But Hu Jintao disregards this fact and sees those people who consider themselves Taiwanese and not Chinese as his people. Yet more than 75 percent of our people see Taiwan as an independent, sovereign country. This is the status quo in the Taiwan Strait. Taiwan is a nation in its own right, and the motherland of our people. But Hu Jintao still sees China as the motherland of the people of Taiwan. This completely contradicts the opinion of the majority in Taiwan (Chen “Complete Interview” 2007).

Chen was explicitly pro-Taiwanese independence, and believed in both the nation of Taiwan as a polity and a people.

Given Chen’s ardent position on Taiwanese sovereignty and independence, it is unsurprising that these sentiments bled into both rhetoric and actual policy surrounding economic relations across the Taiwan Strait. For example, in a 2002 meeting with the Asia Taiwanese Chambers of Commerce, Chen stated, “we cannot have too high an expectation of China, especially in economics and trade...the market in Mainland China is neither the sole, nor the safest, nor the final external market of Taiwan...” (Bing 2017, 106). Thus, following in the footsteps of his predecessor, Lee Teng-hui, Chen’s pro-Taiwan sovereignty views extended into the economic realm as well, acknowledging the dangers of economic dependence on the

Mainland. This comment from Chen ushered in the second iteration of a “Go South Policy,” intending to divert Taiwanese investments from the Mainland to Southeast Asia (Bing 2017).

Further supporting the notion that Chen’s version of the Go South Policy was a product in part of the administration’s views on Taiwanese nationalism, when discussing economic relations with the Philippines during the Go South efforts, Taiwan also pushed for the Philippines to support Taiwan’s joining of the UN (Bing 2017, 108). At the face of it, the Chen administration attempting to use economic relations with the Philippines to further goals of UN participation may not necessarily represent independence-oriented sentiments, but in other instances of Chen discussing Taiwan’s membership in the UN, he has clarified that this would be under the name of “Taiwan” and not the “Republic of China” (Chen “CNBC” 2007). Another example comes from when Chen was asked about his thoughts on an agreement similar to the Closer Economic Partnership Arrangement (CEPA) agreement between Hong Kong and the Mainland, where Chen noted that accepting a similar agreement would be impossible, as he does not accept the One China, Two Systems formula; Taiwan is its own country; and accepting such an agreement would forfeit Taiwan’s sovereignty (Chen “CNBC” 2007).

This use of nationalistic rhetoric becomes even more significant considering the context surrounding these statements and policy pursuits. Firstly, during this time, Taiwanese identity was quickly growing as the predominant form of national and ethnic self-identification by the Taiwanese public, and a mixed Chinese and Taiwanese identity began its decline in 2007 (“臺灣民眾” 2022). Secondly, Chen’s statements and Go South Policy coincided with the meteoric rise of the PRC’s economy. This speaks to the importance that nationalism played in Chen’s policies. The growth of China would lead to an expectation that Taiwan would further liberalize its trade with the Mainland to benefit from the Mainland’s growth, yet Chen instead chose to distance

Taiwan economically from the Mainland. Therefore, it is likely that Chen's economic policies, particularly his version of the Go South Policy, and his reluctance to rely on the Mainland is at least in part motivated by Taiwanese nationalism.

However, a contradiction is apparent in Chen's economic policies. In 2001, Chen abandoned Lee Teng-hui's Cross-Strait economic policy of "go slow, be patient," replacing it with his own policy of "aggressive opening." Whereas "go slow, be patient" placed sharp limits on Taiwanese investment going into the Mainland, Chen lifted many of these restrictions, intensely liberalizing cross-strait economic relations (Kastner 2007). It was in part due to these policies that the Go South Policy a year later would ultimately be considered a failure, as investments into the Mainland, and subsequently Taiwan's dependence on the Mainland, continued to steadily increase throughout Chen's two terms (Bing 2017).

This contradiction then begs the question as to why on the one hand would Chen endorse such nationalist rhetoric about Taiwanese identity and independence from the Mainland, even pursuing economic policies like the Go South Policy that reflects these nationalistic sentiments, then on the other hand enact economic policies that contradict his own rhetoric and policy goals? Extant realist literature on nationalism and trade cannot explain this phenomenon, as such research argues that nationalism can become more salient than economic issues and supersede the advantages and pursuits of economic interdependence (Stephen Van Evera 1994; Baughn and Yaprak 1996; Mearsheimer 2018). Therefore, realist views on the importance of nationalism would not have anticipated the increase in trade and economic dependence between Taiwan and the Mainland. Given that Chen holds independence and Taiwanese nationalistic values closely, and these nationalistic values have materialized into economic policy like the Go South Policy, it can neither be said that nationalism plays no importance in impacting trade. However, Chen's

aggressive opening policy also demonstrates that nationalism is not the only factor influencing economic policy.

The other factor is likely the health of Taiwan's economy. While nationalism in Taiwan does play an important role in its diplomacy and relations with the Mainland, its overall salience is mitigated when economic concerns become severe. As Kastner (2007) argues, Taiwan experienced a severe recession in the end of 2000 and beginning of 2001, the year of Chen's aggressive opening policy. Relying on interviews from Taiwanese officials, Kastner (2007) goes on to argue that in the context of this recession, internationalist economic interests, i.e. Taiwanese businessmen, persuaded the Chen administration to liberalize economic relations with the Mainland. This explanation is not to say, however, that nationalism plays no role. A year later, after having emerged from the 2001 recession, Chen was able to abide more closely to his nationalist values and implement the Go South Policy.

Thus, Taiwanese nationalism still plays a role in Taiwan's policies for economically engaging with the Mainland, and nationalism can be more salient and override certain economic benefits that trade with the Mainland offers. However, when the economic context is dire, the cost-benefit analysis of this decision-making process makes exercising nationalist intent far costlier, lessening the impact of nationalism. That is why Chen forsook his nationalist values in the economic policy realm during the 2001 recession, but then returned to them when the recession ended.

## 7. MA YING-JEOU ADMINISTRATION

Next, I explore the administration of Ma Ying-jeou, who was the ROC's president from 2008 to 2016. The Ma administration is a useful example for examining the importance of nationalism on economic policy, as Ma was a KMT president who carried a strong Chinese, not

Taiwanese, nationalism throughout his rhetoric while president, despite the continued growth of the solely Taiwanese identity amongst the public (“臺灣民眾” 2022). As in my analysis of Chen Shui-bian, I will examine Ma’s speeches, policies, and interviews, looking for comments relating to national identity, such as mentions of Taiwanese ethnicity, sovereignty, heritage, and independence. I will then discuss how his discourse compared to his actual economic policy. Examining how comments on identity relate to Taiwan’s economic policy will indicate the rationale behind such policies and if sentiments about identity and nationalism played a role in their implementation. Finally, I will explore how popular Taiwanese nationalist sentiments conflicted with Ma’s nationalism and his policies, particularly through the 2014 Sunflower Student Movement, and what effect this public nationalism also had on foreign economic policy.

Although examining campaign strategies for Chen proved useful for uncovering his nationalist sentiments despite his inauguration speeches being more moderate, the same is not true for Ma. Throughout Ma’s campaign, he employed rhetoric similar to that of his DPP opponent, Frank Hsieh, and most voters supported Ma due to hopes of improving the economy (Jacobs 2013). It was only until after Ma won the election that his rhetoric switched, becoming staunchly more Chinese nationalist (Muyard 2010; Jacobs 2013). However, it is unlikely that Ma suddenly became more Chinese nationalist after winning, given that in his own 2007 book, *Native Spirit: The Model Story of Taiwan*, Ma suggested his Chinese nationalist leanings, such as through exaggerating the DPP’s goals of de-Sinicizing Taiwan and through overemphasizing Taiwan’s participation with the Chinese in World War 2 despite Taiwan’s support for Japan (Cabestan 2017). Given the growth of the Taiwanese identity under Chen, this suggests that Ma suppressed his nationalist leanings during the election to appease the public, but after winning,

Ma's position changed. Therefore, most of my discursive analysis will examine Ma's comments, inaugural addresses, and policies following his election, not before.

Analyzing Ma's inaugural addresses provides some of the clearest evidence of his Chinese nationalism. Relying on a similar analysis method used for Chen's inaugural addresses, I examined the number of recurrent uses of key terms, as well as the context in which those terms are used. First, I examine the first inaugural address in 2008. As for frequency of term use, the results are similar to Chen's first address. Ma used the terms "Taiwan" and "Taiwanese" 52 times, "Republic of China" and "ROC" 11 times, "people" 16 times, "Chinese" 7 times, and, the same as Chen's first address, the term "sovereignty" 1 time (Ma 2008).

However, the context in which these terms were used is radically different from Chen. For the single use of "sovereignty," Chen's usage was in the context of promoting sovereignty for Taiwan, in that he must "abide by the constitution, maintain the sovereignty, dignity and security of our country..." (Chen 2000). Ma on the other hand, places most of his emphasis on the commonality in Taiwan's Chinese heritage with the Mainland, in stark contrast to Chen's speech promoting a Taiwanese identity. Ma notes that, "In light of our common Chinese heritage, people on both sides should do their utmost to jointly contribute to the international community... In resolving cross-strait issues, what matters is *not sovereignty* [my emphasis] but core values and way of life" (Ma 2008). Here Ma is most explicit in his identification with Chinese identity, following this view with the implication that such commonalities trump Taiwan's desires for national sovereignty. Other subtleties further demonstrate this position, such as his claim that "During these last six decades, the destinies of the Republic of China and Taiwan have been closely intertwined" (Ma 2008). Here, Ma presents a clear division between

the Republic of China and Taiwan, whereas Chen's Taiwanese nationalism led him to unify the two.

The same patterns are seen in his second inaugural address. Ma uses the term "Taiwan" 53 times, but in a way that is different from Chen's usage, suggesting Ma's Chinese nationalism. Ma's usage is more focused on Taiwan as a physical place and in reference to the economy of Taiwan, not Taiwan as a people or nationality. For example, Ma says in reference to Taiwanese volunteerism abroad that he thinks that, "such moving acts are reflections of kindness and honesty, core values of Chinese culture that have become part of daily life for people in Taiwan" (Ma 2012). Here, Ma both emphasizes Chinese culture being integral to the lives of ROC citizens as opposed to Taiwanese culture, and Ma refers to the Taiwanese as "people in Taiwan" as opposed to a Taiwanese people (Ma 2012).

In addition to ascribing Chinese culture to the Taiwanese, Ma also makes a racial appeal, in that "The people of the two sides of the strait share a common Chinese ethnic heritage. We share common blood lines, history and culture" (Ma 2012). This Chinese nationalism then influences cross-strait policy as well, as Ma claims he has tried to reduce the feeling of "otherness" across the strait, has put "economic matters before political ones" (a phrase reminiscent of his reference to sovereignty four years prior), and that Ma claimed to ardently support the One China policy (Ma 2012). Aside from his inaugural addresses, Ma enacted policies, mostly reversals of the Chen era, that further reflected his Chinese nationalism, such as changing the mail services name back to China Post from Taiwan Post, revived Confucian discourse in his public speaking, and reverted the name of the Chiang Kai-shek Memorial from the previous name under Chen, Liberty Square (Cabestan 2017).

Given Ma's belief in Chinese nationalism and the near explicit nature in how he describes how this nationalism should lead to closer relations with the Mainland, Ma's economic policies towards the Mainland followed suit. As Ma noted in his second inaugural address, "we must change from a protectionist mindset and revise outdated legislation. We must eliminate artificial trade and investment barriers and create a genuinely free and open economic environment for Taiwan that is more in line with international practices" (Ma 2012). During Ma's tenure, 23 agreements were made with the mainland, liberalizing trade, increasing the allotment of Chinese tourists allowed to enter Taiwan, and strengthening air and sea connections (Cabestan 2017). The most notable of these economic policies was the Economic Cooperation Framework Agreement (ECFA), which was essentially a free trade agreement with the Mainland that was passed in 2010 (Ma 2010).

Similarly reflecting these attitudes, Ma, contrary to Lee Teng-hui, Chen Shui-bian, and eventually Tsai Ing-wen, never implemented a Go South Policy to avoid reliance on the Mainland. Therefore, Ma and Chen's opposite positions on economic policy with the Mainland and their opposite views on Taiwanese and Chinese nationalism further suggest the impact that nationalism can have on trade, whereas both Chen and Ma possess nationalism but opposing forms of nationalism. Examining interviews with Ma discussing these policies, however, has been less fruitful, as he has not been as explicit about his identification with Chinese culture and ethnicity in his public interviews discussing these economic policies like he had done during his inaugural addresses (Ma 2010). Despite this, his nationalist justifications of warming relations with the Mainland as seen throughout both of his inaugural addresses demonstrates the impact nationalism can have on foreign economic policy.

One could argue that these policies, particularly ECFA, are not evidence of the impact of Ma's nationalism impacting his economic policy. This is especially apparent given that Ma's policies with the Mainland led to greater permissiveness for relations with other Asian countries, as the closer relationship with Beijing gave Taiwan a more official nature with which to do business, leading to greater increases of Taiwanese investment into Southeast Asia under Ma than under the Chen despite Ma's lack of an official Go South Policy (Bing 2017). This suggests the possibility that Ma improved his relations with the Mainland simply to get to other countries, contradicting my theory's predictions for the impact of Ma's Chinese nationalism. However, in a 2010 interview discussing ECFA, Ma explicitly noted that "The reason why we want to sign an ECFA is not other countries," and that the intent of ECFA was improved economic relations with Mainland China specifically (Ma 2010).

One could also argue that Ma only enacted these agreements, particularly ECFA, out of economic interest or pressure from Taiwan's industries, and there is no connection between these policies and national identity. However, this explanation is insufficient. Firstly, this explanation cannot explain Ma's use of nationalistic rhetoric in his inaugural addresses. Secondly, Kastner (2007) argues that business and industry pressures influenced Chen as well, yet even if both Chen and Ma faced the same influences from industry and business interests, it can still not explain Ma's lack of a Go South Policy contrasted to Chen's. Thirdly, Taiwan's largest industry and source of exports, the semiconductor industry and in particular the Taiwan Semiconductor Manufacturing Company (TSMC), claimed that ECFA would have no impact on its business, suggesting that Taiwan's largest industry was not pressuring or shaping Ma's trade policies towards the Mainland (Chang and Huang 2010).

Given the rise in Taiwanese identity amongst the public, Ma's Chinese national identity, and Ma's policies that reflect this identity, their existed social tensions that reached a head in the Spring of 2014 with the Sunflower Student Movement. The protest movement occurred in response to Ma's Cross-Strait Service Trade Agreement, which would have opened Taiwan's service sector to investment from the Mainland. The movement occurred following a legislative impasse between the KMT and DPP, where the DPP refused to continue its reviews of the legislation, causing the 90-day review period of the bill to lapse without completing the DPP's allotted number of review sessions. After the review period ended, the KMT pushed the bill through for final voting (Brindle 2016). Protestors viewed Ma pushing the bill through without allowing further review of the legislation as a lack of transparency and an affront to democracy, and these sentiments were exacerbated by the Taiwanese fears of tightening relations with the Mainland (Brindle 2016). Protestors occupied the Legislative Yuan for three weeks, and ultimately the bill was, and to this day, never ratified.

Evidence from discourse around the protests and within the protests themselves reveals the importance that Taiwanese national identity had in influencing the outcome of stopping the Cross-Strait Service Trade agreement. Brindle (2016) conducted a discursive analysis of Taiwan's major English language newspapers, comparing their interpretations and use of language in describing the protests. He found that the DPP friendly Taipei Times used the term "Taiwan" 1149 times against the KMT friendly China Post's use of "Taiwan" 806 times, and the Taipei Times' usage of Taiwan was in reference to protecting and safeguarding Taiwan, while the China Post's usage was in reference to Taiwan's economy (Brindle 2016, 9). The China Post referred to the KMT by the Wade Giles version of its name, Kuomintang, while the Taipei Times referred to the KMT by its English translation, the Chinese Nationalist Party, in an effort to

associate the KMT with Chinese nationalism (Brindle 2016, 14). And finally, the use of the term “Taiwanese” was one of the most important and common terms for the Taipei Times, but had little usage or importance in the China Post articles (Brindle 2016, 14). This evidence suggests the role Taiwan’s conflicting national identity played in the protests, and as it parallels similar results from the discursive analyses of Chen and Ma’s inaugural addresses, it further supports Chen and Ma’s respective positions on national identity.

The importance of national identity is also seen through the imagery that the protestors employed. In addition to less identity driven slogans such as “defend democracy” and “Ma you suck,” other signs and imagery spoke more directly to the importance of Taiwan’s national identity. This includes slogans such as “protect Taiwan,” “Taiwan is not for sale,” “[image of a heart] Taiwan,” and “free Taiwan” (J.R. 2014). In addition, some of these words were presented over the background of green flags and images of the island of Taiwan, reminiscent of the green flags of Taiwan used by the DPP and that of the Taiwan independence movement (J.R. 2014). As one protestor remarked in an interview, “We are a proud Taiwanese people,” and the rhetoric and imagery used in the Sunflower Student Movement reflected this adherence to a Taiwanese national identity (Bender 2015). Given the importance of national identity in the movement, and the Service Trade Agreement’s resulting failure to be ratified, the Sunflower Student Movement further demonstrates the impact nationalism has on foreign economic policy.

Ma did not support the movement, claiming in interviews that protestors were misinformed about the legislative process behind the bill and the implications it had for cross-strait relations (Flannery 2014). But even if the protestors were wrong about their perception of the agreement and the legislative process behind it as Ma suggests, this only then further speaks to the importance that Taiwanese national identity has in motivating policy and the argument of

this paper. Taking Ma's argument, the protests show that nationalism and national identity can supersede economic issues and policies, even if adhering to those nationalist ideals is not the rational or most economically intelligent position to take. The protests also suggest that even if Ma's inaugural address comments in regard to Chinese nationalism and his economic policies are separate matters, and Chinese nationalism did not influence his policy implementation, then Taiwanese nationalism still impacts the public and subsequently economic policy as well.

Another potential counter argument comes from scholar of Taiwan Shelly Rigger, who suggests that it is unclear how much support the protestors received and if the protests were truly a popular movement (Wasserstrom 2014). However, this is a moot point in the context of my argument. National identity was strong enough amongst the Taiwanese public to protest and reject a foreign economic policy, leading to the policy never being ratified. As such, the Sunflower Movement still demonstrates the influence national identity and nationalism can have on foreign economic policy, supporting my argument.

However, two questions arise from this movement. If this is how the people felt, why was Ma voted into office? Ma prioritized the economy in his campaign and did not demonstrate his Chinese nationalism throughout the campaign (Jacobs 2013). Since Taiwan's economy was in poor shape due to the Great Recession and his platform focused on rebuilding the economy, this was likely enough to garner popular support from the public.

Secondly, why did the Sunflower Student Movement occur in 2014, and not a different time? 2010 saw the passing of ECFA, which was Ma's most significant policy in liberalizing economic relations between Taiwan and the Mainland. The Service Trade Agreement was even a planned addition to ECFA, suggesting the similarity in tangible outcomes on cross-strait relations between the two policies (Mainland Affairs Council). Public attitudes preferring a

solely Taiwanese identity in 2014 were likewise not significantly higher than the same polling numbers in 2010 (“臺灣民眾” 2022), suggesting changes in national identity preferences cannot answer this question.

The answer to this question is similar to the answer for the former question, in that it had to do with the health of Taiwan’s economy. Taiwan’s worst year of the Great Recession was 2009, but the troubles continued into 2010 as well (Muyard 2010), making a protest against Ma’s economic policies particularly risky due to the potential economic costs. By 2014, Taiwan had emerged from the recession, likely providing the public with the requisite confidence needed to challenge policies that intended to boost Taiwan’s economy at the potential cost of national sovereignty and identity. And even though the service sector is Taiwan’s fastest growing and largest part of the economy, standing to greatly benefit from the Cross-Strait Service Trade Agreement, protestors still rejected it (“Taiwan Services”). Protestors held signs saying that Taiwan is not for sale, and the Taiwanese people were afforded the luxury of claiming such phrases because they needed not “sell” Taiwan to the Mainland for economic gain as Ma’s administration had done four years prior with ECFA. As such, the same dynamic between the economy, trade with the Mainland, and national identity seen under Chen is again seen under Ma, showing that these series of events are likely not only coincidences, but rather that nationalism can impact trade with an interactive effect dependent on the status of the country’s overall economic health.

An additional question raised from the Sunflower Movement is whether nationalism of the political elite or nationalism of the public is more important? The Sunflower Movement suggests the public’s nationalism is more important, but this likely varies from country to

country, particularly in regards to the strength of civil society and democracy within a country. Ultimately though, this question goes beyond the scope of this paper.

## 8. TSAI ING-WEN ADMINISTRATION

The final case study of this paper follows the ongoing presidency of Tsai Ing-wen. Tsai Ing-wen is the DPP candidate who succeeded Ma in the 2016 presidential election. Like the previous cases, I will first examine Tsai's level of nationalism. Then I will examine her trade policies and public comments in regards to trade, as this will help demonstrate the impact her nationalist sentiments have on economic policy. For this case, I will also address Tsai's political rival in the 2020 presidential election, Han Kuo-yu, as Han received unprecedented popularity in 2018 by relying on populism and Chinese nationalism. Examining the relationship between Tsai and Han can further shed light on the dynamics of nationalism in influencing Taiwan's foreign policy.

Examining Tsai's two inaugural addresses reveal that Tsai became more in favor of Taiwanese nationalism over the course of her two terms. In her first address, Tsai refers to "Taiwan"/"Taiwanese" 45 times, the term "sovereignty" 1 time, "ROC/Republic of China" 5 times, and "China" 0 times. Oddly enough, Tsai implicitly refers to the PRC several times throughout the speech, but never addresses the Mainland or PRC by name. Likewise, Tsai does not directly reject One Country Two Systems in her first address. This is not to say that Tsai possessed no Taiwanese nationalism, as she regularly refers to Taiwan itself as a country, but her nationalist sentiments become more apparent both throughout her first term and second inaugural address (Tsai 2016).

For the second address, Tsai refers to "Taiwan"/"Taiwanese" 50 times, the term "sovereignty" 0 times, "ROC/Republic of China" 5 times, and "China" 1 time. Tsai again

describes Taiwan itself as a country; discusses Taiwanese pride, particularly in regards to Taiwan's performance under the COVID-19 pandemic; refers to the PRC simply as "China," with the implication that Taiwan would then not be considered China; and Tsai explicitly rejects the One Country Two Systems proposition (Tsai "Inaugural" 2020). Therefore, the second time around, Tsai demonstrates a strong pro Taiwanese nationalist position. As Tsai noted in a 2020 interview with the BBC, the function of Taiwan's president is in part to "deal with China in the right way, so that we will be able to keep our sperate identity, and we will have our own sovereignty, and that we get respect from the rest of the world" (Tsai "President Tsai" 2020). Compared to the Chen administration, Tsai's brand of Taiwanese nationalism and independence is more moderate, yet Taiwanese nationalism is still present and had an impact on the policies Tsai implemented.

The impact of this nationalism on economic policy can be seen from the start of Tsai's term, via her inaugural addresses. Harkening back to the policies of Lee Teng-hui and Chen Shui-bian, Tsai has made her "New Southbound Policy" a cornerstone of her administration's economic program. The first inaugural address states the function of the New Southbound Policy as a means to "bid farewell to our past overreliance on a single market" (Tsai 2016). Although Tsai does not reference the Mainland specifically, the implication of this comment is clear. In the second inaugural address, Tsai continues to emphasize the New Southbound Policy in addition to emphasizing the development of local national industries and infrastructure (Tsai "Inaugural" 2020). Like Chen, Tsai advocates for a sovereign Taiwanese country and national identity, and in doing so, contrary to Ma and similarly to Chen, Tsai also promotes a foreign economic policy that reduces Taiwan's connections and reliance on the PRC.

Like the case of Ma, one could argue that Taiwan's growing industries, with the semiconductor industry being the largest, could be responsible for shaping foreign economic policies with the Mainland as opposed to Tsai's nationalism. However, the TSMC has continued to flourish under Tsai and her New Southbound Policy much like it had under Ma and his radically different policies ("Taiwan Economy" 2022). Semiconductors became somewhat of a focal point during the US-China trade war, and due to TSMC's dominance in semiconductor manufacturing, Taiwan was caught in the cross fire (Bown 2020). The US imposed restrictions on the semiconductors Taiwan could sell to Huawei, one of TSMC's biggest customers, but even following the US ban on providing semiconductors to Huawei, TSMC has continued to show rapid growth (Culpan 2020). These points suggest that, like under Ma ten years prior, TSMC had little incentive or role in attempting to shape Tsai's trade policies towards the Mainland, furthering indicating that it is Tsai's national identity that guided her economic policies, not industry pressures.

However, there is an issue in this analysis of Tsai and her speech to explain how her nationalism impacts her proposed foreign economic policies. While Tsai possesses Taiwanese nationalism, she has been more reserved in her use of language compared to that of Chen. In interviews she is less provocative than Chen, and in the past has explicitly noted that "we have refrained from doing things that might be considered as being provocative to China [PRC]" (Tsai "President Tsai" 2020). This is likely due to the much larger power disparities between Taiwan and the Mainland currently compared to Chen's era, forcing Tsai to be more moderate in order to maintain the status quo. In order to address this limitation, I will examine the case of Han Kuo-yu, briefly mayor of Kaohsiung and the KMT's presidential candidate for the 2020 presidential election, and I will examine how his brand of Chinese nationalism, similar to Ma's, also

accompanied a set of economic policies that favored his nationalistic position towards the Mainland.

When Han ran for mayor of Kaohsiung, he was not a favorite to win. Kaohsiung had been a DPP stronghold for nearly twenty years by 2018, and Han's chances of winning were perceived to be so low that the KMT offered relatively little to no assistance to Han for his campaign (Shan 2018). However, Han ran on a campaign of mobilizing an image of an economically downtrodden Kaohsiung, describing the city as "old and poor" (Hsu 2018). Han campaigned that he would revitalize Kaohsiung's economy, paying homage to the culture and economic booms of the 1980s (Smith 2022). Han shockingly won the election, displacing long standing DPP allegiance, and the Taiwanese nationalism that comes with the DPP, in favor of emphasizing economic growth, specifically trade, as Han campaigned that "with goods sold and talent flowing in, Kaohsiung's people will make a fortune" ("Brash China-Friendly Taiwan Mayor" 2019). Han's victory in Kaohsiung demonstrates the contextual nature of nationalism's salience, as when the economy is sluggish, the confidence necessary to act on nationalist ideals wanes.

Furthermore, Han himself was not a Taiwanese nationalist, but rather favored a Chinese national identity. For example, in a visit to China, Han stated, "Now I reiterate that I support the '1992 consensus'... I hope there will be more exchanges across the strait and people will become good friends" ("Brash China-Friendly Taiwan Mayor" 2019). After his mayoral victory, and 'Han Wave' began to sweep Taiwan, Han ran as the KMT candidate in the 2020 presidential elections, with his campaign further demonstrating his Chinese nationalism, as the second core principle of his campaign being "Love Chinese culture" (DeAeth 2019). Therefore, Han's Chinese nationalism further speaks to the importance of economic health in shaping nationalist identities, as long standing DPP voters in Kaohsiung were willing to sacrifice national identity

ideals in favor of economics, even if that potential economic gain accompanied Chinese nationalist representatives and closer relations to the Mainland, a phenomenon similar to Ma's presidency.

Han would ultimately lose the 2020 election however, and would be recalled from his position as mayor due to ignoring mayoral duties while on the campaign trail (Reichenbach 2020). The question then arises as to why Han would win in the DPP stronghold of Kaohsiung, but lose two years later in the national election. The answers to this question further demonstrate the soundness of my theory. Firstly, as Tsai notes in her inaugural address, Taiwan's economy continued to grow and did relatively well throughout the COVID-19 pandemic, suggesting the context of economic urgency that would pull people away from favoring their Taiwanese national identity was not present (Tsai "Inaugural" 2020). Secondly, the 2019 Extradition Bill and its accompanying protests in Hong Kong presented a real example of the cost of increasing relations with the Mainland and relying on Chinese nationalist politicians, temporarily increasing the salience of Taiwanese nationalism and Taiwan's national identity. Sean King, a scholar at the University of Notre Dame Liu Institute for Asia & Asian Affairs, noted prior to the end of the race that, "If, as expected, Tsai wins reelection, it will be in no small part due to the so-called China factor and the Hong Kong protests" (Li and Cheng 2019).

Therefore, the case of Han Kuo-yu provides further support for my theory. The economic issues of Kaohsiung were specific to its own time and place, making Han's economic appeal and his own Chinese nationalist ideas and economic policies outweigh the salience of Taiwanese nationalism. During the presidential election, Han's position would not be as universally appealing in contrast to Tsai's Taiwanese nationalism, as the relative health of Taiwan's economy promoted economic confidence necessary for following the policies that align with a

Taiwanese identity, such as the New Southbound Policy. Likewise, the Hong Kong protests also amplified the salience of Taiwanese nationalism, as the 2019 Extradition Bill demonstrated an example of a real consequence for tightening relations with the PRC, further pushing the Taiwanese public to favor a Taiwanese nationalist leader who then subsequently employed her own policies that aligned with her nationalism. Even in the face of the PRC's unprecedented aggression and willingness to rely on coercion under Xi Jinping (Zhang 2019), the public still elected Tsai as president, who then went on to employ both nationalistic rhetoric and policies that pushed back against the Mainland. As such, my hypotheses that nationalism will influence economic policy, and that the salience of nationalism varies based on the health of the economy, are supported.

One counter argument to my theory and cases thus far, however, both as they relate to the cases of Ma and Han, is that my argument claims that nationalism impacts foreign economic policy, but only if the economy is healthy. However, my evidence demonstrates that people favor leaders who employ Chinese nationalism when the economy is bad. Therefore, it may not be a question of employing nationalism or no nationalism, but rather it is a matter of which nationalism to choose. However, my response is that the public still overwhelmingly favors a Taiwanese national identity throughout all of the cases examined (“臺灣民眾” 2022), so when the public supports politicians like Ma or Han who rely on a Chinese national identity, the public is simply sacrificing their own national identity for potential economic benefits, not endorsing the national identity views of Ma or Han.

## 9. CONCLUSION

In conclusion, the findings of this paper help support my proposed theory. Nationalism is an important factor in influencing foreign economic policies within a country. However, if a

state's national identity tends towards riskier or costlier economic policies, then it is more difficult to abide by such ideals when the economy is in a poor state. When the economy is struggling, more beneficial economic policies are more worthwhile to pursue, even at the cost of national identity ideals. The case of Taiwan, where national identity is dynamic and plays a central role in politics, demonstrates this phenomenon. When Taiwan's economy is unhealthy, the public elects Chinese nationalist leaders and leaders pursue more beneficial economic policies with the Mainland despite the public's majority Taiwanese national identity. When Taiwan's economy is healthy, the public typically elects DPP leaders with strong Taiwanese national sentiments, who then also go on to implement economic policies that divert trade and attention away from the Mainland.

It is important to note that this paper does not associate a negative connotation with the national identity positions of either party or politicians, nor that Chen, Ma, Tsai, or Han are nefarious in their utilization of nationalism. It is not that, for example, Chinese nationalism is Ma's ultimate goal and the driving force behind his economic policies. But his Chinese nationalist beliefs likely shape his views on the policies he implements, leading to less caution towards tightening relations with the Mainland compared to the worries of the DPP and those with Taiwanese nationalist views.

The implications of this paper on cross-strait politics and Taiwan offer predictive value in anticipating the future of Taiwan's domestic politics and foreign policies. The health of Taiwan's economy, as well as polls detailing the public's national identity, can then provide insight into which party will likely come to power in Taiwan depending on the circumstances and what policies these parties will implement. They also suggest that the Mainland may use economic leverage to manipulate Taiwan's domestic politics, as the Mainland could hamper Taiwan's

economy and use its ability to do so as leverage to impact policy and government outcomes. This possibility is especially pressing under the current Xi Jinping administration, who has more often employed economic leverage and coercion compared to previous PRC leaders (Zhang 2019).

The implications of this paper's findings also extend beyond Taiwan and cross-strait relations. The findings indicate the importance of nationalism in impacting foreign economic policy and trade. These findings also contextualize when nationalism will be more or less likely to impact such foreign policies. As such, the results of this paper also defy expectations from both liberal and realist theories, whereas liberal theories place little to no importance on nationalism in impacting foreign policy and foreign economic policy, and realist theories do not contextualize or qualify their discussions of nationalism's impact on trade in detail.

One issue with this paper that offers room for future research is the validity of the causal mechanisms in my argument. This research relies on a qualitative approach, and as such, particularly in the case of Tsai Ing-wen, it is difficult to ascertain specific statements that directly link the relationships between nationalism, economic policy, and the economy's health as I argue. In order to further support my paper's findings, further research could be done exploring similar cases from different countries to find if the same patterns emerge. Likewise, perhaps a quantitative analysis could be conducted regressing the relationship between countries' levels of protectionism or trade barriers, economic health, and their domestic levels of nationalism.

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