

Taiwan's new president makes immediate overtures to China

By John Chan
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The inauguration of the new Taiwanese President, Ma Ying-jeou, from the Kuomintang (KMT) on May 20 has already resulted in moves toward improved relations with China. KMT chairman Wu Poh-hsiung conducted a six-day visit to China last week—a first for the head of a Taiwanese party in office—to lay the basis for closer economic ties.

Relations with China deteriorated after Chen Shui-bian of the Democratic Progressive Party (DPP) won the presidency in 2000. Chen threatened to end Taiwan's ambiguous status by pushing for full independence from China, which regards the island as a renegade province. In 2005, Beijing passed an "anti-secession law" that formally authorised the use of military force if Taiwan declared itself independent.

The KMT won the presidency in March by promising an end to the tensions and capitalising on the hostility of voters to the impact of Chen's economic restructuring on living standards. Many people were also sickened by Chen's divisive appeals to "local" Taiwanese against "mainlanders" who were born in China. Above all, Ma's election marked a decisive shift by sections of the Taiwanese elite who want to capitalise on China's booming economy by ending the standoff with Beijing.

The KMT, which was driven from China after the 1949 revolution, ruled Taiwan as a military dictatorship until the late 1980s. The KMT acted as a government-in-exile for the "Republic of China" and retained China's seat in the UN until Washington's rapprochement with Beijing in 1971. While it has not yet advocated Taiwan's political integration with China, the KMT is seeking to end barriers to trade, transport and investment that hold back economic relations.

A central plank in Ma's campaign was the call for a common market with China, which he claimed would revive Taiwan's economic fortunes and alleviate the growing hardship of poverty, unemployment and inflation facing the working people. In his inauguration speech on May 20, Ma declared that Taiwanese people "have chosen clean politics, an open economy, ethnic harmony, and peaceful cross-strait relations to open their arms to the future".

The shift reflects changing economic relations. In the

1980s, Taiwan was one of the Asian "tigers"—a cheap labour platform for exporting manufacturing goods to the US, Europe and Japan. The DPP's perspective of an "independent" Taiwan reflected the frustrations of sections of business with difficulties associated with the lack of formal international recognition.

In the 1990s, however, China eclipsed Taiwan and the other "tigers", becoming the low-cost "workshop of the world". Despite the lack of direct ties with China, Taiwanese corporations invested tens of billions of dollars on the mainland and are dependent on its market and cheap labour to grow. Corporate leaders blamed Chen for Taiwan's poor economic performance in recent years and pointed to the economic benefits flowing to other Asian economies through their integration with the Chinese economy.

During his visit to China last week, KMT chairman Wu paid homage at the tomb of KMT founder Sun Yat-sen in Nanjing, the former capital of the KMT regime. He "told" Sun that the KMT had returned to power in Taiwan. Both the KMT and the Chinese Communist Party (CCP) hail Sun as a symbol of Chinese patriotism. Both Ma and Wu have expressed their sympathy for their "compatriots" suffering from the recent Sichuan earthquake, again emphasising the unity of China and Taiwan.

During his meeting with Chinese President Hu Jintao, Wu declared: "Neither of us can promise that there will be no disasters across the [Taiwan] Strait. But both of us can promise that, through our joint efforts, there will never be a war across the Strait." Hu, in turn, has expressed his understanding that Taiwan needs "reasonable" international space.

Both sides agreed to inaugurate weekend direct flights between Taiwan and China and to open up the island for mainland tourists. These are the first steps toward the restoration of direct transport links, which were severed after 1949. At present, goods and passengers have to go via a third destination like Hong Kong—a major burden for Taiwanese business. China invited Taiwanese officials to

begin negotiations on concrete arrangements for tourism and charter flights from June 11-14.

While Wu's trip to China has been making headlines, the treatment of the former Taiwanese president has received no serious media attention. Within hours of stepping down on March 20, Chen, having lost his presidential legal immunity, was charged by prosecutors with corruption. Although prosecutors insisted there was no political involvement in the decision, the KMT, which campaigned strongly against Chen's alleged corruption, was undoubtedly behind the move.

The Supreme Prosecutors Office issued a statement declaring that Chen would be investigated for his role in the mishandling of a special presidential fund—better known as the “special state affairs fund”. Prosecutors have demanded to be kept informed by government agencies if Chen attempts to leave Taiwan. A special investigation task force has been established.

Chen is accused of embezzling 14.8 million Taiwanese dollars (\$US487,000) from the fund, which was set up by the previous KMT government for presidential expenses, such as rewards and gifts. Apparently Chen used the fund for “secret” missions to strengthen diplomatic relations with small countries in the South Pacific, Latin America and Africa. While Chen has refused to give details, the missions were connected with his attempts to gain formal recognition of Taiwan by these countries.

Because of the secretive character of the missions, it is unclear if the use of the money was legal or illegal. Chen's wife, Wu Shu-chen, and former presidential office aides have been charged with pocketing money from the fund in November 2006 under the guise of expenses for secret diplomatic missions. Chen has repeatedly denied any wrongdoing and his wife, with one exception, has refused to attend court hearings. Chen declared in his defence that if he were a greedy man, he would not have voluntarily cut his presidential salary.

However, Chen has been surrounded by corruption scandals. The most notorious case involved his son-in-law Chao Chien-ming and Chao's father, who were sentenced to lengthy prison terms for insider trading in 2006. The case prompted a wave of huge protests by ordinary working people angry at deteriorating living standards and at what they regarded as the DPP's betrayal. Chen came to power in 2000 by capitalising on DPP's long record of opposition to the KMT's anti-democratic methods and corruption.

Chen is now relying on the fact that several key diplomatic documents in the case have been classified as “state secrets”. He has threatened legal action against anyone attempting to make them public. The documents apparently relate to a “southern” project, perhaps involving diplomatic

relations with one or more of the small island nations in the South Pacific.

Diplomatic rivalry between Taipei and Beijing has been one ingredient in the political instability in countries such as Solomon Islands and East Timor. Bribes in the form of aid, grants or investment have been used to encourage governments to switch their allegiances. Taiwan, however, has clearly lost out to China, which is spending billions of dollars in Africa, Asia and Latin America, not just to secure diplomatic ties but the supply of raw materials. A number of former Taipei allies have shifted their recognition to Beijing.

Just days before Ma's inauguration, Chen suffered another blow after former vice premier Chiou I-jen, former foreign minister James Huang and former deputy defence minister Ko Chen-heng resigned over \$US29.8 million that is missing from the “special state affairs fund”. The money was intended as technological aid to Papua New Guinea (PNG) in exchange for renewing formal relations with Taipei. The money went to two Taiwanese businessmen, but ties with PNG did not resume.

The decision to prosecute Chen is completely hypocritical. In its five decades of rule, the KMT was notorious for the “black gold” that passed into the pockets of top political leaders. The purpose of the prosecution is not only to smear Chen and the DPP but, as part of improving relations, to end the costly diplomatic rivalry with Beijing. In his inaugural address, Ma pointedly declared: “In light of our common Chinese heritage, people on both sides should do their utmost to jointly contribute to the international community without engaging in vicious competition and the waste of resources.”

Above all, however, the prosecution of Chen is a warning of what is in store for working people from the new KMT administration. While Taiwanese corporations may profit from improved relations with China, a fresh wave of economic restructuring, wage cutting and job losses in Taiwan will also result. Far from inaugurating a new “democratic” Taiwan, the KMT will not hesitate to employ the most anti-democratic methods to silence any challenges to its rule—as it did in the past.

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