

# Rifts emerge in ruling party as Taiwan's presidential election heats up

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20 December 1999

The campaign for the second presidential election in the Republic of China (Taiwan), scheduled for March 18, has brought into the open the long brewing and bitter rift within the island's ruling Kuomintang (KMT). The party has effectively split into two camps, one grouped around current president Lee Teng-hui and the other formed around ex-Taiwan governor and independent candidate James Soong.

Soong, one of the most influential powerbrokers in the KMT machine, announced his intention to run for president one week after Lee's interview in July with the German *Deutsche Welle* radio station, in which he defined China and Taiwan as having a "special state-to-state relationship". The statement, implying a step towards a declaration of Taiwanese sovereignty, provoked the most serious China-Taiwan tensions in three years.

In the past months, Soong has consistently polled 10-15 percent points higher than the KMT's candidate, current vice-president Lien Chan, and opposition Democratic Progressive Party (DPP) candidate, Chen Shui-bian. Soong's campaign has been populist in character, playing on fears of a clash with China and widespread hostility to institutionalised KMT corruption. He has sought to win support by promising to speed-up the introduction of a universal retirement pension and expressing concern for the underprivileged. Opinion polls had shown up to 40 percent support for Soong, drawn from both KMT and DPP voters, with the highest support coming from industrial areas and voters aged 21-29.

The KMT has responded by seeking to destroy him politically and personally. Following declarations by Lee that Soong was a traitor to Taiwan, he was expelled from the Kuomintang on November 17, along with six key supporters. On December 6, 21 more Soong supporters were expelled, including seven members of parliament, in order to intimidate the estimated 40 percent of KMT legislators and officials believed to sympathise with the Soong campaign.

The greatest blow to Soong, however, was last week's revelations that in 1991, when he was the KMT secretary general, his unemployed 24-year-old son bought over \$US4.4 million in securities and deposited them into his bank account. A further \$US4 million was deposited late in 1992.

None-too-subtle insinuations have been aired that the money either had Beijing origins, was a pay-off to Soong for supporting the purchase of particular US jet fighters, was slush money for vote-buying or was a tax evasion scam. No evidence exists at present to support any of these claims. Soong, after initially saying nothing, has changed his explanation that the source of the funds was from an unnamed "family elder". He now asserts it that was KMT money paid to him to look after the family of former president Chiang Ching-kuo, with the personal authorisation of Lee Teng-hui himself.

Lee declared on Wednesday: "Soong's account was a sheer lie, completely groundless". An official investigation by the tax department to determine if criminal charges should be laid against Soong and his son has been initiated. It will release its findings on January 29—seven weeks before the election.

The corruption scandal engulfing Soong has sent opinion polls fluctuating widely. One poll, conducted from December 9-11 by the Public Opinions Association, put the highest support for any presidential candidate as only 20 percent for the KMT's Lien Chan, with Soong plummeting to 19.3 percent and 16.3 percent for the DPP's Chen Shui-bian. Undecided voters climbed from 25 percent several weeks ago to 38.5 percent. Another survey on December 11, by the cable station TVBS, showed contradictory figures with the KMT at 18 percent, Soong down to 27 percent and the DPP rising to 31 percent, with 24 percent of voters undecided.

Whatever the exact state of public opinion, it is clear that a major political crisis is developing. The rift between Lee Teng-hui and James Soong and the viciousness of the election campaign are not simply the product of a personality clash. These are expressions of a fundamental rupture within rival layers of the island's ruling class.

Soong's campaign is in direct opposition to the attempts by Lee's administration to win international recognition of the Republic of China as a separate nation-state from mainland China. To the extent he has outlined a program at all, Soong advocates closer ties with the mainland through expanding economic relations and non-involvement in the theatre-missile defense (TMD) scheme being developed by the United States with Japan. He has labeled Lee's policy toward China as "reckless". He has made clear that if elected, Taiwan will abandon all attempts at buying diplomatic recognition from other countries. While he has made vague hints of discussions over a reunification with China in the distant future, his essential line has been to take Taiwanese sovereignty off the agenda and end the present tensions.

Taiwan, a Japanese colony for the first half of the century, was brutally reincorporated into Kuomintang-ruled China between 1945-47. As KMT control on mainland China collapsed during 1948-49, in the face of the peasant armies of the Communist party, the dictator Chiang Kai-shek and 1.6 million supporters fled to Taiwan to continue the civil war. Taiwan was ruled under martial law with a total denial of any democratic rights to the population. The Western world recognised Chiang Kai-shek's regime on Taiwan as the legitimate government of all of China until 1971, when the United Nations seat was given to the mainland Peoples Republic. In 1979 the United States formally revoked diplomatic recognition of the Republic of China (Taiwan) and closed its embassy, the final stage in US rapprochement with Beijing initiated in 1972.

Isolated internationally, facing a rising anti-government movement in Taiwan and with its export industries being challenged by lower-cost producers elsewhere in Asia, a consensus existed in the ruling class on the island that its survival depended upon far-reaching economic changes and political reforms.

From 1979, the KMT implemented extensive economic deregulation in order to attract transnational investment. In the mid-1980s it set in motion a carefully managed introduction of democratic reforms, leading to the legalisation of the Taiwanese nationalist DPP in 1987, which had been

formed illegally a year earlier by a political elite among the native Taiwan-born population. The DPP's primary aim was the dismantling of martial law and the political structures that gave special privilege to mainland-born KMT supporters.

In 1988, after the death of president Chiang Ching-kuo, the major power-brokers in the Kuomintang, with James Soong at their fore, supported the elevation of Taiwanese-born Lee Teng-hui to the presidency. Soong was so closely associated with the older Lee in the early 1990s that they were described as having a "father-son" relationship. Lee supported Soong assuming the position of party general-secretary and in 1994, his election to the post of Governor of Taiwan.

The KMT under Lee and Soong successfully preserved the bulk of its power and privileges by adapting to the anti-KMT opposition and its call for a separate Taiwanese identity from China. While stopping short of a declaration that Taiwan was not part of the Chinese nation, all the other demands of the DPP were met. The Taipei government remains theoretically the Republic of China, established by Sun Yat Sen in 1912, but the constitution stipulates that its jurisdiction extends only over the islands of Taiwan, Penghu, Kinmen and Matsu, and its government can only be elected from these areas.

The KMT regime also thawed relations with China by formally ending the state of civil war, lifting travel and investment restrictions and establishing unofficial cross-strait dialogue. Internationally, it deferred to the diplomatic farce that there was only "One China" and grudgingly accepted its exclusion from the UN and international trade and finance organisations.

This pragmatic arrangement achieved both social stability on Taiwan and permitted Taiwanese business to participate in the restoration of capitalist relations in China during the 1980s. Occasional elections have given a democratic gloss to the plutocratic rule of wealthy industrialists and financiers who have been able to profit from both their place in world economy and their mainland investments. Their KMT political machine remained the richest political party on in the world, with its "black gold" or system of kickbacks and nepotism permeating every layer of government and state bureaucracy.

The consensus in ruling circles has broken down, however, under the impact of international economic and political forces. Taiwan, whose major export in 1957 was sugar cane, has become a hub of the globalised economy, the holder of considerable financial reserves and one of the largest exporters of heavy chemicals and technology products in the world. The denial of international recognition has become a definite obstacle to business concerns, with Taiwan still excluded from the World Trade Organisation and forced to operate unofficial embassies and trade missions in most countries.

At the same time, some \$US30 billion has officially been invested by Taiwan-based corporations in China, equivalent to the figure invested from Japan. The actual figure is far higher, as a considerable proportion of the \$US140 billion invested on the mainland from Hong Kong has Taiwanese origins. From having virtually no economic relationship with Taiwan, China is now its second largest trading partner after the United States.

No section of the Taiwanese ruling class questions that China, with its large markets and resources, is of vital importance to their future. A bitter divide has opened up, however, over the nature of the long-term relationship with the Chinese Stalinist regime and the new mainland-based businessmen and entrepreneurs.

Under conditions where internal social discontent in China is reaching explosive dimensions, where China's economy is beset with staggering contradictions and where Taiwanese money dominates entire provinces on the mainland, Lee speaks for a layer in Taiwan's elite who see no reason why they should continue to defer to Beijing. Lee sees an opportunity to push for an end to Taiwan's "years in the wilderness". The DPP's Chen

Shui-bian actually refers to himself as Taiwan's Joshua, taking over from the Moses Lee in bringing the people to the promised land of sovereignty.

In his *Deutsche Welle* interview Lee defined Taiwan and China as having "complementary, rather than competitive" economic relations. That is, China should remain a base for low-cost labour intensive industries and a market for higher technology goods produced in Taiwan. He went on to raise concerns that the ongoing investment and economic development in China posed a risk to the "competitive advantage and the autonomy of Taiwan's economy". He called for Taiwanese companies to "leave their bases in Taiwan". Lee has repeatedly linked any relaxation in the remaining restrictions on trade relations with China to a move by Beijing towards recognising the Republic of China as a separate nation, not a renegade province.

Lee's vision of China is not that it will become a developed industrial competitor with a political centre in Beijing. His recent book advocates the division of China into seven "federated" states, in which Taiwan, Hong Kong, Manchuria, Tibet and Xinjiang are outside any political control by Beijing. Within such a framework, the Taiwanese capitalist class, with close links to the US and Japan, could exert even greater economic and political influence over China.

Since 1996, Lee Teng-hui has increasingly aligned the Kuomintang with elements in the United States and Japan that are openly discussing the need to "contain" China. He has developed close ties with both the anti-China wing of the Republican rightwing in the US and rightwing Japanese politicians such as Tokyo governor Shintaro Ishihara, co-author of *The Japan That Can Say No*.

The emergence of sharp differences between Soong and Lee from 1996 and the open rift in July testifies to the nervousness in ruling circles on the island at what they perceive to be a dangerous and unnecessary course of action. Though the two factions are referred to as the "Taiwanese Kuomintang" (Lee) and the "Chinese Kuomintang" (Soong), Soong is not an advocate of reunification with China. He actively supported Lee in 1993 against the section of the KMT that broke away to form the pro-China unification New Party and denounced Lee for abandoning the traditional "One China" policy. Soong's statements indicate that he wants to maintain the status quo in China-Taiwan relations.

Li Chih-tsun, the manager of the large transnational corporation, Formosa Plastics, and thought to be one of Soong's main backers, summed up the attitude of a section of big business to Lee's moves towards Taiwanese independence when he commented in November: "The entire world is moving toward trade with no national boundaries. Why do both sides of the strait still need to talk about nations"?

Soong's campaign has split the Kuomintang vote and revealed the gap between the official preoccupation with Taiwanese sovereignty and the sentiments of ordinary people. While businessmen like Li Chih-tsun want good relations with the mainland in order to make profits, most Taiwanese simply do not want to be in the middle of a war. The KMT, however, has continued to raise the ante of cross-strait tensions. Recently the government seized on dubious reports from the right-wing *Washington Times* about Chinese missile bases to justify Taiwan building long-range missiles capable of striking Beijing and other major mainland cities.

The corruption scandal directed against Soong is certain to polarise Taiwanese politics further. Soong's support base includes most of the apparatus of the Government Information Office; people with knowledge and access to every filthy secret of the KMT. One suspects the muck has only begun to fly in a campaign that still has three months to run.



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