

Taiwanese farmers demonstrate against government economic policies

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In the largest ever demonstration in Taipei, Taiwan's capital, an estimated 120,000 farmers and fishermen took to the streets on November 23 against the ruling Democratic Progressive Party's (DPP) proposals to restructure agricultural credit unions and open up agricultural markets to foreign competition. The protest has provoked a political crisis for President Chen Shui-bian, who came to power in 2000. Both Chen's finance minister and Agricultural Council chairman have resigned and government policy is in disarray.

The demonstration was organised by a network of farmers associations, and over 2,000 buses were needed to bring delegations from all over the island. Credit union employees also took part, fearing that any restructuring will lead to job losses. As they marched on the presidential palace, farmers beat drums and chanted "if farming dies, the nation dies". Police were deployed in force.

A participant explained to Reuters: "The cooperatives know our business. They understand if I have to delay my harvest and repay loans later. A bank would seize my assets and auction them at a low price. Conditions have gotten much worse. Fruit prices fell by one third this year after joining the World Trade Organisation (WTO), and I have two boys to put through college."

A credit union official told the *Taipei Times*: "Prices of more than 200 kinds of vegetables and fruit in the market have decreased at least 50 percent since Taiwan's entrance to the WTO. The government isn't helping us solve the problems, but is instead implementing inappropriate financial reform."

The scale of rural anger had led to attempts to placate the discontent and prevent a mass turnout for the demonstration. Five days before the protest, the government postponed the reform of credit unions and both Premier Yu Shyi-kun and Finance Minister Lee

Yung-san offered to resign for damaging the government's image. Two days before the protest, President Chen made a trip to his hometown of Tainan, where he apologised three times to rural audiences. The overtures did not divert tens of thousands from marching against the government.

The opposition to Chen's "reform" program has resulted in a dramatic decline in his approval rating. A poll on the day of the demonstration reported an all-time low of just 36 percent, compared with 80 percent when he came to office. The Presidential Office was forced to issue a statement on November 23 declaring: "As a farmer's child, the president is impressed by the farmers' and fishermen's democratic demonstration. The government will respond to farmers and fishermen's requests with sincerity and action."

The discontent is the product of both the long-term decline of agriculture in Taiwan and the measures the Taiwanese government took this year, partly to meet the terms specified for the island's acceptance into the WTO. These include the opening of the domestic market to foreign agricultural imports and government moves to take control over Taiwan's 344 government-financed farmer and fishermen credit cooperatives, in order to force the small institutions to merge with larger commercial banks.

The credit cooperatives were created during Japan's 50-year colonial occupation over Taiwan to provide low interest loans to agricultural producers. They were maintained by the Kuomintang (KMT) regime when the island was returned to China in 1945. After its defeat in the Chinese civil war by Mao's Zedong's peasant armies, the KMT transferred its government to Taiwan in 1949 and extended assistance to the island's small farmers in order to create a social base for its rule.

Over the past two decades, the vast transformations in the world economy have forced Taiwan to integrate into the global system of production, particularly with the booming export provinces on mainland China. The result has been the undermining of agriculture's social and economic importance.

According to a *Taipei Times* interview with a senior official of the island's Agricultural Council on November 29, agriculture's share of Taiwan's gross domestic product (GDP) fell to just 1.92 percent last year, compared with 32.2 percent in 1952. The annual growth of farming sector production fell from 7.3 percent in 1961 to 1.3 percent last year. The incomes of farmers and fishermen now lag 30 percent behind the island's average.

Agriculture relies heavily upon state subsidies. According to official statistics, 21 percent of loans made by 285 agricultural credit unions are classified as non-performing. Shoring up the balance sheets of small credit institutions is costing the government an estimated \$US1 million per day.

The government is under immense pressure from big business to eliminate such overheads. The financial and corporate elite is calling for further restructuring in order to attract investment and channel state funds into assisting the major banks and hi-tech export industries recover from the collapse of the technology boom in US over the past two years.

The effect on ordinary Taiwanese in both urban and rural areas has been cuts in living standards, higher unemployment and the loss of services. Broad discontent at the state of affairs has emerged. Two weeks before the farmer's protest, more than 2,000 workers attempted to storm the presidential offices in a protest over rising unemployment. Unemployment has officially reached 5 percent, or 530,000 people. The gap between rich and poor is also burgeoning. The annual income of the top 20 percent of the population has reached 6.39 times more than the bottom 20 percent.

Chen's panic before the rural opposition has been condemned in ruling circles as a sign that he is not prepared to ignore public sentiment and push ahead with restructuring. Finance Minister Lee Yung-san, who tendered his resignation after Chen postponed plans to take control of the agricultural credit unions, was previously the chairman of the International

Commercial Bank of China, one of the largest banks in Taiwan. His dissatisfaction with Chen's decision was matched on the stock market, which fell for four consecutive days after the delay was announced.

The stock market run only came to a halt after Chen's premier told a press conference on November 26 that the new finance minister had been selected as a "show of our determination to continue financial reform" and that the restructuring would be implemented.

The opposition parties in Taiwan are all seeking to benefit from the government's political dilemma in the face of conflicting demands from the financial elite and the mass of the population. Kuomintang (KMT) chairman Lien Chan, People's First Party (PFP) powerbroker James Soong and former Taiwan President Lee Teng-hui's Taiwan Solidarity Union (TSU) all marched alongside the farmers on November 23 in a bid for political kudos.

Lee Teng-hui's TSU appears to be gaining the most. Lee, who advocates Taiwan formally declaring independence from China, has previously worked in an alliance with the DPP against the KMT and PFP, which broadly represent the interests of the major Taiwanese investors in China and supports unification with the mainland. Since September, however, Lee's TSU has attacked the DPP over the credit union reforms and gained influence among rural constituencies in southern Taiwan—one of the DPP's social bases.



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