A marriage of political convenience in Taiwan

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8 March 2005

An unexpected meeting between Taiwan's President Chen Shui-bian and James Soong, chairman of the opposition People First Party (PFP), on February 24 produced a "ten-point" consensus between two parties that have diametrically opposed policies on relations with China.

Just three months ago, Chen's Democratic Progressive Party (DPP) and the PFP were denouncing each other in the parliamentary election campaign. The DPP and its ally, the Taiwan Solidarity Union (TSU), were stirring up Taiwanese nationalism and promising a referendum on independence for the island. China, which regards Taiwan as a "renegade province", has threatened to take military action if the island were ever to declare independence.

The PFP and its ally, the Chinese Nationalist Party or Kuomintang (KMT), strongly oppose independence and seeks closer relations with Beijing. The KMT, which was driven from the mainland after the 1949 revolution and established a military dictatorship on Taiwan, for decades regarded itself as a Chinese government-in-exile.

The "consensus" between Chen and Soong has, temporarily at least, defused these tensions. The main concession came from Chen, who pledged not to change Taiwan's status, including its official title, through constitutional reform or referendum during his second term. To seal the agreement, Chen handed Soong a piece of paper with "sincerity" written in large Chinese characters.

Chen took the initiative in approaching Soong to break the present political deadlock. Chen narrowly won the presidential election last March but the disputed result provoked huge opposition protests and a series of legal challenges. At the parliamentary election in December, the DPP-TSU failed to make any significant gains leaving the KMT-PFP with a majority and the ability to block legislation.

After sealing the deal with Soong, he lost the backing of the 12 TSU parliamentarians who declared the alliance over "once and forever". Several DPP members also resigned in protest at Chen's "shift". But with nearly all of the 89 DPP parliamentarians, Chen has a majority in the 225-seat parliament for the first time if he can enlist the support of the 34 PFP legislators.

Soong has indicated that he may support a reduced version of an arms purchase from the US. The plan to buy $19.6 billion of sophisticated weaponry provoked protests from Beijing and has been stalled in parliament by the opposition of the KMT-PFP.

Chen may also be able to neutralise moves against him in the parliament. Last December the opposition sponsored a commission into the assassination attempt on Chen on the eve of the March presidential election. Opposition leaders accused Chen of faking the assassination to win votes and called for his impeachment. While the commission came to nothing, the threat of parliamentary action against Chen remains.

By dividing the KMT and PFP, or even just neutralising the PFP on some issues, Chen would greatly reduce his difficulties in the parliament. He is also aware that KMT chairman Lien Chan is about to retire. By backing Soong, a former KMT powerbroker who still has significant support inside the party, Chen may be hoping to weaken the KMT.

There are, however, more fundamental considerations at stake. By embracing Soong, Chen has sent a clear signal to Beijing that he is seeking to avoid confrontation and looking for closer relations with China. The move was certainly viewed that way by supporters of Taiwanese independence.

An editorial in the *Taipei Times*, for instance, denounced Chen's betrayal, declaring: "The so-called ten-point consensus was essentially a sharp blow for voters who elected Chen in his past presidential

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election. Now many of them may be asking this question—President Chen, where is your 'sincerity' toward us?"

Chen came to office for the first time in 2000 on a wave of popular hostility to decades of corrupt and despotic KMT rule. While posturing as a "democrat" and defender of the poor, Chen set about implementing a far-reaching program of market reforms. As his economic policies have provoked hostility, he has increasingly relied on Taiwanese nationalism to shore up his support.

A number of factors have prompted Chen to ease tensions with China. In the course of the parliamentary election campaign, Washington clearly indicated its displeasure with Chen's nationalist appeals and promises to hold a referendum on the status of Taiwan. Several top US officials warned that the US would not necessarily come to Taiwan's defence if it triggered a war with China. Taiwan has always counted on US military support in any military confrontation with China.

At the same time, Taipei is concerned about an "anti-secession law" currently being debated in China's National Peoples Congress. The law, which is directed in the first instance against Taiwan, would formally legitimise the use of force against Taiwan in the event of a declaration of independence.

There are also powerful economic incentives in forging closer ties with China. Chen and Soong agreed to immediately ease restrictions on Taiwanese investors in China and to seek talks with Beijing about opening direct transport and commercial links. During the Chinese New Year, there were, for the first time, 48 direct charter flights carrying over 10,000 passengers between Taiwan and the mainland.

The lack of close relations has an impact on Taiwanese investors in China. A recent investigation into a major Taiwanese company, United Miroelectronics (UMC), found that Taiwan's restrictions on technology transfer to China had an adverse effect on a UMC offshoot in China. Last year, some 600 small and medium Taiwanese firms closed down in Shenzhen Special Economic Zone alone.

Access to cheap Chinese labour has become central to Taiwan's ability to attract foreign investment. Taiwan's IT output last year was $67.2 billion—77.3 percent of these exports were notebook and desktop computers, motherboards and plasma displays. Of these products, between 67 and 78 percent were assembled in China.

Transnational corporations like General Motors, has pressed Taipei to end restrictions on component imports from China. GM has joint ventures both in China and Taiwan and is seeking to build cars in Taiwan using parts made in China.

In the first 11 months of 2004, bilateral trade between China and Taiwan increased 34.8 percent. Trade with China has become an important factor as the government anticipates a slowing of growth from 5.71 percent last year to 4.5 percent this year. With government debt standing at 30 percent of the GDP, Chen is struggling to maintain the island's unemployment rate below 4 percent.

However, the friendly handshake between Chen and Soong has resolved none of the underlining contradictions. While a section of the corporate elite backs closer relations with China, other layers are seeking the establishment of an independent Taiwan as a means of pressing their economic interests abroad. The lack of formal recognition for Taiwan acts as an intolerable barrier to their international trading and commercial relations.

The other significant factor behind the Chen-Soong reconciliation is the fear that ongoing political conflict will unleash an opposition movement from below. This concern was already evident after the March presidential election. As hundreds of thousands of people joined rival street rallies, prominent business figures called for calm and an end to protests.

Behind the discontent is the island's deepening poverty and unemployment, for which neither the government nor the opposition has any solution. Their resort to different brands of nationalism—Taiwanese and Chinese—is to divide working people and shore up their own social base. As economic and social tensions intensify, it is likely that the tactical rapprochement between the DPP and PFP will quickly disintegrate.

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