

Taiwanese president stokes tensions with China

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Following a relative calm in relations between China and Taiwan last year, tensions have risen sharply again after Taiwanese President Chen Shui-bian announced on February 27 that the island's National Unification Council (NUC) would be shut down and its guidelines would "no longer apply".

Chen's move is the latest in a series of provocative actions aimed at appealing to Taiwanese nationalism in an effort to stem the tide against his government. His popularity has fallen to an all-time low of 20 percent and his party—the Democratic Progressive Party (DPP)—suffered major losses at last December's local elections.

Chen signalled a more aggressive approach in an address on January 1 when he declared that "globalisation is not tantamount to 'Chinatisation'". He urged Taiwanese businessmen not to view China as "the only and last market". He warned of the danger of economic dependence on a hostile political power and pointed to statistics showing that 40 percent of orders placed with Taiwanese firms for manufactured goods were now filled outside the island. Of those, the mainland accounted for 90 percent.

Chen's government has also announced preparations to present a draft new constitution in June to change Taiwan's name, flag, national anthem and the definition of its territory. The constitutional amendments require a three-fourths majority in parliament and will almost certainly be blocked by the pro-mainland opposition of the Kuomintang (KMT) and People's First Party (PFP), which together hold over half of the seats.

In his televised speech explaining the decision to close the NUC, Chen carefully avoided the word "abolition" and instead used the phrase "cease to function". While declaring that he had "no intention of changing the status quo", the president pointedly added: "The people of Taiwan have the right and obligation to participate in the international community on an equal footing." Chen previously branded the NUC as "an absurd product of an absurd time".

The NUC was established in 1990 by former KMT President Lee Teng-hui as part of his strategy to placate the

KMT old guard who were concerned that he would ditch the party's traditional program of unification with China. Lee was the first native born president of the island, which the KMT had dominated since fleeing from the mainland after the Chinese Communist Party seized power in 1949. With US backing, the KMT operated as a government in exile and Taiwan retained the title of Republic of China.

In 1972, however, the US established diplomatic relations with China and accepted Beijing's "One China" policy, which regarded Taiwan as a renegade province. At the same time, Washington continued to supply Taiwan with military hardware and declared that it would defend the island against the threat of Chinese invasion. Other major powers followed suit, leaving Taiwan without any significant international recognition and under pressure from Beijing to accept some form of reunification.

Under Lee, the NUC played an important role in facilitating negotiations between Beijing and Taiwan in 1992 that established a "consensus" on reunification. Although the terms of reunification were open to interpretation, Taiwan accepted the "One China" policy and the principle of national unity. The NUC was a non-official advisory body headed by Taiwan's president to coordinate the unification. However, as Lee and then Chen called increasingly overtly for an independent Taiwan, the body became largely defunct.

Mainland Chinese leaders and the state-controlled media quickly branded Chen's decision to shut the NUC as "treason". An editorial in the official *China Daily* declared: "Scrapping the council and the guidelines is solely aimed at paving the way for his pursuit of Taiwan's de jure independence through the 'constitutional re-engineering' project. Chen is doomed to failure as the entire Chinese nation stands united to fight secessionist activities and safeguard China's sovereignty and territorial integrity."

China's response was comparatively muted. Significantly, it did not publicly repeat its longstanding threat to prevent Taiwanese independence by force. Beijing no doubt drew some satisfaction from the US pressure exerted on Taipei

after the NUC announcement. In the short term, the Bush administration is looking for Chinese support on a number of issues, including trade and assistance in pressuring North Korea and Iran over their nuclear programs, and so is not looking for an immediate confrontation over Taiwan.

Following Chen's comments, the US issued a strong statement declaring that it "does not support Taiwan's independence and opposes unilateral changes to the status quo by either Taiwan or Beijing." To allay any suspicion in Beijing that the US backed Chen, the State Department's spokesman Adam Ereli declared that the US was not consulted. "We're issuing this [statement] in the wake of some comments by President Chen in Taiwan that we don't want to be inflammatory or send the wrong signal, so we thought it useful to reiterate US policy," he said.

Within the Taiwanese ruling elite, the divisions over the island's attitude to reunification have intensified. Powerful sections of Taiwanese business, which have some \$US100 billion invested in China, have strongly criticised Chen's move. The opposition KMT, which favours reunification with Beijing, reacted angrily, threatening to force a vote in parliament to impeach the president.

Political tensions with Beijing impact on the interests of Taiwanese investors in the mainland. The Taiwanese computer industry, for example, has relocated much of its manufacturing to China. In 2002, China's notebook computer production increased 948 percent, largely due to the rapid shift of Taiwanese manufacturing to the mainland. China now accounts for the manufacture of 95 percent of Taiwanese notebook computers.

Xie Kunzhong, the president of Association of Taiwanese-Funded Enterprises in Beijing, publicly criticised Chen's impending decision to shut down NUC at a news conference on February 25. "At present, the mainland tries its utmost to protect the rights and interests of Taiwan businessmen and to maintain the peace across the Taiwan straits. But the supreme leader of Taiwan administration tries all means to make trouble for Taiwan businessmen," he said.

Chen came to power in 2000 as an advocate of formal independence for Taiwan. He and his DPP speak for layers of the ruling class that are concerned at the consequences of unification with China and frustrated by Taiwan's lack of recognition as a sovereign state. Nevertheless, Chen was initially careful not to provoke a conflict with China and pledged not to change the title of the Republic of China, amend Taiwan's constitution or hold a referendum over the status of Taiwan. One consideration was not to alarm Taiwanese investors in China.

Far from ending the tensions in the Taiwanese ruling elite, the island's increasing economic dependence on China has only exacerbated them. Those who back Chen and an

independent Taiwan are no doubt concerned at China's growing influence in the region and internationally. At the first East Asian Summit held in Malaysia late last year, which held out the prospect of a regional economic bloc, Taiwan was excluded even though the island is larger than any South East Asian economy and a major investor in the region.

At the same time, China is strengthening the hand of Chen's opponents—the KMT and other pro-unification parties—by offering to open up mainland markets for Taiwan's agricultural exports. The DPP has traditionally had a strong base among Taiwanese farmers. Last May Beijing hosted a lavish eight-day tour for KMT chairman Lien Chan, according him what amounted to full state honours in recognition of the de facto alliance that exists with pro-unification parties in Taiwan. The KMT has been able to exploit widespread anger in Taiwan over the impact of Chen's pro-market policies.

With presidential elections due in 2008, Chen has responded by attempting to drum up Taiwanese nationalism. One of Chen's aides told the *Financial Times* on March 1 that the president had concluded that he needed to take action to strengthen the DPP after its December electoral losses. "The combination of the notion that Taiwan public opinion is tilting in favour of China and that Ma [the KMT chairman] was becoming unstoppable made it necessary for the president to rebalance things," he said.

In the past, Taiwan has been careful not to antagonise Washington, which is the cornerstone of its security and military policy. Driven by domestic political considerations, Chen is increasingly ignoring US warnings about not upsetting the status quo—the danger being that he will overstep the mark and provoke a full-scale political and military crisis in the Taiwan Straits.



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