

Taiwan's ruling party suffers major defeat in parliamentary election

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The opposition Kuomintang (KMT) won a landslide victory in Taiwan's parliamentary elections on January 12 and is now poised to regain government by winning the presidential election in March. The KMT lost the presidency to the Democratic Progressive Party (DPP) in 2000 after ruling Taiwan for the preceding five decades, much of the time as a military dictatorship.

The political shift will impact on relations between China and Taiwan, as the KMT has been seeking to improve ties with Beijing. Its policy is in marked contrast to President Chen Shui-bian who has hinted at declaring formal independence from China—a move that Beijing regards as “secession” and has threatened to oppose militarily. China regards the island as a renegade province taken over by the KMT regime after it was overthrown on the mainland in 1949 by the Maoist Chinese Communist Party (CCP).

The election outcome was a major defeat for the DPP. It was conducted under a new electoral system that halved the number of seats from 217 to 113. The DPP held 89 seats in the old legislature, or more than 40 percent, but now has only 27, or less than a quarter, in the new parliament. By contrast, the KMT won 81 seats—three times as many as the DPP, and has secured a three-quarters majority together with its allies—the Non-Partisan Solidarity Union (NPSU) and the Peoples First Party (PFP), which won three seats and one respectively.

Its parliamentary majority not only allows the KMT to block legislation but places the party in a position to impeach the president even if the DPP somehow wins the March election. The KMT attempted to impeach President Chen on corruption charges in recent years but lacked the constitutionally required two-thirds majority in the legislature.

The DPP suffered other setbacks. Chen had bundled two referenda with the parliamentary election, calling for investigations into the KMT's alleged corruption and theft of public assets. The move was designed to highlight one of the DPP's main accusations against the previous KMT regime. However, the referenda failed to achieve the necessary 50 percent turnout by a large margin—only 26 percent cast a ballot. In addition, the DPP's one-time ally, the Taiwan Solidarity Union (TSU) of former President Lee Tung-hui, failed to gain any seats.

In the wake of the election, Chen offered to resign as DPP chairman. “This election is the worst defeat since the founding of our party,” he told a press conference. He urged supporters to unite under the leadership of former Premier Frank Hsieh, the DPP's presidential candidate. Chen has served two terms as national president and is not eligible to stand again.

The election outcome reflects not so much a sudden rise of support

for the KMT, but widespread disappointment in, and opposition to, the DPP, particularly over the impact of its economic restructuring program. The turnout rate was less than 57 percent—the lowest for legislative elections since 1972 and an indication that former DPP supporters simply did not vote.

Chen came to power eight years ago, promising to end the KMT's corrupt dictatorial rule and advance democratic rights. Many voters now regard the DPP as little different from the KMT. Chen's policy of privatising state enterprises, deregulation and cuts of public services, as well as the ongoing shift of manufacturing to China and other low-wage countries, has led to rising unemployment and a deepening social divide. A wave of ongoing inflation is hitting the working people hard.

Before the election, polls by *United Daily News* found those who thought their lives were harder rose from 38 percent in 2006 to 43 percent last year. The proportion of people complaining about deteriorating economic conditions increased from 76 percent to 83 percent. Those finding difficulty getting a job increased from 68 percent to 74 percent. All these figures were the highest in 14 years. Significantly, a record high of 89 percent thought the gap between rich and poor was the most serious problem—up from 87 percent in 2006.

A Reuters report on January 16 pointed out that Taiwan's “middle-class” was shrinking fast. Sales of new cars last year were their lowest since 1987 and 40,800 businesses closed in the first 11 months in 2007—the highest on record. “Among those hardest hit are Taiwan's youth, the future of its labour force. A recent JPMorgan report showed that the average household wage in Taiwan is in danger of starting to shrink and average graduate starting salaries already appear to be contracting,” the newsagency wrote.

A comment in the *Central Daily* in 2006, cited 2005 figures showing that the average income of the richest 10 percent of Taiwanese families was \$NT2.1 million—36.2 times that of the poorest 10 percent of households, which was just \$NT5,800. Six years earlier, as Chen was about to come to power, the gap was 23.7 times.

In response to deepening social tensions, Chen has deliberately stirred up Taiwanese nationalist sentiment, pitting “locals” against “mainlanders” who fled to the island with the KMT after the 1949 revolution in China. As DPP support has waned over the past eight years, Chen has more stridently threatened to declare Taiwan independent. Elections have been marked by gimmicks designed to appeal to “native Taiwanese”—such as the removal of public images of the former KMT dictator Chang Kai-shek. But the tactic has increasingly failed.

At the last presidential election in 2004, Chen only won by the narrowest of margins—0.2 percent—after a last minute boost from a

dubious assassination attempt on his life. The alleged assassin was later mysteriously found drowned and the whole case remains unexplained. In September 2006, several hundred thousand marched to demand Chen's resignation over corruption allegations against his family. The KMT, which was initially caught off guard by the protest movement, attempted to impeach Chen, but failed to gain sufficient numbers in the legislature.

Taiwan's share market celebrated the KMT's landslide win with its biggest rally in three and half years. The *Wall Street Journal* noted: "The outcome seems certain to cheer investors, who have long complained that antipathy between Taiwan and China under Mr. Chen has constrained Taiwan's stock market and economy." The danger of conflict with China over Chen's promotion of Taiwanese independence is a major concern, not only among investors, but more broadly among voters.

During November, in the lead-up to the election, China delivered a pointed snub to the US, refusing to allow the US aircraft carrier Kitty Hawk to dock in Hong Kong. Beijing's decision was in part to underscore its opposition to the Pentagon's decision to sell hi-tech weapons to Taipei. Tensions were heightened as the US carrier battle group navigated through the sensitive Taiwan Strait. The Taiwanese media speculated that the Chinese navy might confront the US carrier in the strait, highlighting nervousness about a potential war with China.

In the wake of its loss, the DPP is considering modifying its stance for the March election. Lin Cho-shui, a former DPP legislator told the *Financial Times*: "Taiwan's identity is alive and well and it would be a fatal mistake for the DPP not to address this part of our platform anymore. But our line should be moderate Taiwan independence. What voters have rejected is Chen Shui-bian's radical Taiwan independence."

The KMT's own policy toward China is a marked shift from its stance after 1949 when, with the backing of the US, it claimed to be the government-in-exile of the Republic of China. Washington's rapprochement with Beijing in 1972 involved its formal recognition of "One China" ruled by Beijing. Taiwan lost diplomatic recognition, including its seat in the UN Security Council, but continued to receive US backing against any Chinese military takeover of the island.

The international isolation of Taiwan came just as it emerged as one of the "Asian tigers". The lack of formal recognition of Taiwan constrained its commercial relations with the world and encouraged sections of the Taiwanese corporate elite to press for the declaration of Taiwan as an independent state. The DPP emerged in this context in 1970s and 80s, also serving to contain the growing opposition of the working class and sections of the middle class against the KMT dictatorship.

The emergence of China as the "factory of the world" over the past 15 years has had a profound effect on political relations in Taiwan. In 1991, not long after the DPP was legalised as part of the KMT's "democratisation", two-way trade between Taiwan and China was only \$8 billion. In 2006, the figure was \$115 billion. China is now Taiwan's largest export market and accounts for over half the island's outbound investment.

Before Chen won the presidency in 2000, the KMT leadership under Lee Tung-hui cautiously advocated a pro-independence perspective. Lee has since been expelled from the KMT and his TSU has been marginalised increasingly. While the KMT is cautious about embracing unity with China along the lines of the "one nation, two systems" formula employed to absorb Hong Kong, the KMT

advocates far closer relations with Beijing. Senior KMT leaders have visited Beijing in recent years and supported a common platform of advancing the capitalist "motherland".

The KMT's candidate for the March election, Ma Ying-jeou, has promised not to negotiate unification with Beijing if he wins the presidency. Nor will he support any form of independence for Taiwan or resort to force to resolve the issue. In other words, the KMT stands for maintaining the current ambiguous "status quo". Ma is seeking a peace treaty with Beijing to end decades of military confrontation, but has promised to continue to expand Taiwan's "international space"—with "consensus" from Beijing. Seeking to undercut the DPP, the KMT has been calling for Taiwan to join the UN, but on the grounds that it is part of China.

At the same time, Ma has called for direct transportation links with China, a move that would drastically cut costs for many Taiwanese firms. At present, two-way trade and travel has to take place via a third location, such as Hong Kong.

By contrast, Chen's program has become less attractive to the business elite. Chen has been campaigning for a referendum to join the UN under the name of "Taiwan"—another step in trying to achieve de facto independence. Chen's economic slogan of "going south" or encouraging corporations to invest in South East Asia, rather than China, has not elicited any significant support.

Without US backing, Chen's push for any form of independence has little chance of achieving any international support. While there are clearly concerns in the US about China as an emerging economic and strategic rival, the Bush administration has maintained the One China policy and has criticised Chen's threats to declare independence for raising tensions with China. Its immediate concern is the occupation of Iraq and Afghanistan and threatening Iran, rather than starting a war in North East Asia.

China's growing international economic weight is also affecting Taiwan's longstanding strategy of bribing small, impoverished countries to formally recognise Taipei, rather than Beijing. Several Taiwan supporters have switched sides over the past year. Most recently, Malawi announced relations with Beijing last week, even as Chen was touring Latin America to shore up Taiwan's crumbling diplomatic support in that region.

While the tide appears to be turning against the party's policy toward China, the DPP has been based from the outset on Taiwanese nationalism. Confronted with popular hostility to its economic policies, it has no other means for galvanising support than stirring up anti-Chinese and anti-mainlander sentiment. In the run up to the presidential elections, Chen and his party are quite capable of provocatively playing this dangerous and reactionary political card.



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