

Former Taiwanese president jailed for life

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In a highly political court decision on September 11, former Taiwanese President Chen Shui-bian was sentenced to life imprisonment and fined \$US6.1 million. He was convicted of forgery, embezzling government funds to the tune of \$3.15 million and accepting bribes of \$9 million. The Taipei District Court stripped Chen of his civil rights, thus barring him from voting or running for office. His wife Wu Shu-chen also received a life jail term for corruption and a fine of \$9.2 million. Both are appealing against their sentences.

Chen came to office in 2000 and lost to the Kuomintang (KMT) in 2008. The KMT initiated investigations into Chen and his family in 2006, while still in opposition. The prosecutors' investigations of Chen began soon after he left office, leading to his detention late last year. The charges included using a secret presidential fund, which was meant to be used to bribe small countries into granting Taiwan diplomatic recognition, for personal gain and accepting kickbacks over a land deal involving a flat panel manufacturer.

Chen repeatedly denounced the trials as a "political prosecution" by the KMT government of President Ma Ying-jeou. There is certainly an element of truth in Chen's declarations that "everyone else is doing the same thing". The KMT, which dominated Taiwan as a military dictatorship until 1987, was notorious for its rampant corruption, secret government slush funds and close ties with business.

Chen's Democratic Progressive Party (DPP) largely abandoned the former president. The DPP cautiously questioned aspects of the judicial process, but accepted the validity of the charges. Its statement on Chen's sentencing declared that the party "believes President Chen was negligent in constraining" his family members from corruption, and "firmly holds to the standpoint that for these errors former President Chen must take political responsibility". Having already expelled Chen, the DPP stated that he would not be allowed to rejoin for the next five

years.

Chen's fall is bound up with the overriding political issue confronting the Taiwanese ruling elites—the island's relations with China. The KMT or Chinese Nationalist Party fled to Taiwan following the ousting of its regime by the Chinese Communist Party (CCP) in 1949. Its claims to be the government-in-exile of all China received a major blow in 1972 when the US recognised the CCP regime in Beijing as the sole Chinese government.

The DPP emerged in opposition to the KMT dictatorship in the 1980s on the basis of Taiwanese nationalism and advocated formal independence from China. The party rose to political prominence as Taiwan boomed in the 1980s and 1990s as a cheap labour platform—one of the "Asian Tigers". Sections of business backed the DPP as the means for establishing a separate state to represent their international interests.

However, Beijing, which treats Taiwan as a renegade province, repeatedly declared it would forcibly reunify the island if it declared formal independence. China's emergence as an economic power and a major destination for Taiwanese investment has changed the political relations on the island. The DPP lost the 2008 presidential election because its pro-independence perspective no longer enjoyed the backing of big business, which turned to the KMT's plan for a "common market" with China, now Taiwan's largest trade partner.

Many ordinary voters were sickened by Chen's constant stirring up of communal tensions between "mainlanders" and local Taiwanese, as a means for diverting public attention from the social impact of his pro-market economic agenda. The KMT capitalised on Chen's corruption to channel public anger over social inequality against the "bad" president. Ma won a landslide victory by a margin of 2.2 million votes, or 17 percent, over his DPP rival.

The prosecution of Chen has served as a useful distraction

because public support for the KMT has fallen rapidly. Ma's promised "633" plan—6 percent growth, a \$30,000 per capita income by 2016 and an unemployment rate below 3 percent—has been dashed by the global financial crisis. As one newspaper put it, "633" now stands for unemployment approaching to 6 percent, a predicted contraction of nearly 3 percent for 2009 and 3 percent drop in last year's per capita income of \$17,600.

The government's slow response to the devastation caused by Typhoon Morakot in August, which killed more than 700 people, further fuelled the public anger. As a result, the cabinet headed by Liu Chao-shiuan was forced to collectively resign on September 7.

The KMT has retained big business backing by pressing toward full economic integration with China. Direct transport links, which were cut off in 1949, have been restored. Taipei is seeking a free trade deal with Beijing, the Economic Cooperation Framework Agreement (ECFA), which is the cornerstone of the KMT's economic policy. Taiwan enjoyed a \$60 billion trade surplus last year, but without China, would have had a deficit of \$40 billion. China accounts for 38 percent of exports.

Over the past decade, Beijing has actively courted the KMT, its former Cold War arch-enemy. Both ruling parties—the CCP and the KMT—share a common political perspective, a strong capitalist China. Amid the global economic crisis, Beijing has offered financial assistance to Taiwanese investors in mainland China who are notorious as exploitative employers. A memorandum of understanding is due to be signed next month, allowing Chinese equity investment into the Taiwanese stock market.

Sections of Taiwanese business that continue to support the DPP have raised concerns that the free trade deal will trigger another wave of manufacturing relocation to China, with more job losses and corporate bankruptcies in Taiwan. The pro-DPP *Liberty Times* wrote: "If such an agreement is signed, Taiwan's economy will become more and more reliant on China, with most of Taiwan's local businesses encountering difficulties and facing bankruptcy because of malicious competition from China. The unemployment rate will surge and tax revenues will plunge."

Ma's government, however, has insisted that unless the ECFA is secured with China, Taiwan will lose out when Beijing's free trade agreement with the Association South East Asian Nations (ASEAN) comes into effect in 2010. ASEAN countries will enjoy duty-free trade with China,

while Taiwanese businesses will be marginalised.

China's economic rise has not only drawn Taiwan into its orbit, but made it increasingly difficult for Taiwan to maintain its own credible military deterrent. In 2000, the US-based Rand Corporation predicted that a Chinese attack on Taiwan "would likely be a very bloody affair with a significant probability of failure". This year, however, Rand argued that China's vastly expanded air force and missiles capabilities could rapidly destroy Taiwan's aircraft on the ground and that the decisive air battle would be over before any American intervention.

Since 1949, Taiwan has been heavily dependent on US military assistance. While recognising Beijing in 1972 and supporting a "one China" policy, Washington has opposed any forcible reunification of Taiwan. Under the 1979 Taiwan Relations Act, the US continued to sell arms to Taiwan despite China's protests. Taiwan, however, is only a small part of the US strategy of encircling China and the main US strategic focus has shifted to the energy-rich regions of the Middle East and Central Asia. China is far more important to the US economically than Taiwan.

The Bush administration's proposed \$12 billion arms sale to Taiwan in 2001 never materialised largely because of KMT opposition. Having been re-elected in 2008, the KMT sought to revive the deal as a means of strengthening its negotiating position with China. Bush, however, froze the sale so as not to antagonise Beijing—Washington's largest foreign creditor—then in October 2008, axed the most crucial component, 66 advanced F-16 fighters. The Obama administration again shelved Taiwan's request for the F-16s in March.

Chen's prosecution and jailing has served the KMT government as a useful diversion for growing public anger over its economic and other policies. More fundamentally, however, the collapse of Chen's career is one more sign that the political winds in ruling circles have shifted against the DPP's perspective of an independent Taiwan.



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