

Taiwan Is Drawn Into Global Strategic, Dollar Crisis

by Leni Rubinstein

With China's economy growing, while that of Taiwan has plunged into contraction and financial crisis during the demise of the United States as "importer of last resort," a potential crisis of great seriousness is brewing in Taiwan's current policies. Taiwan is facing a potential near-term financial explosion like Japan—though its economy and banking system are smaller in impact. And the handling of the crisis by its pro-independence faction, which just held on to power in recent elections, is also causing a cultural crisis with China. *EIR's* accompanying interview with Taiwan legislator Fung Hsiang, leader of the pro-Chinese unification New Party, throws light on both these issues.

Over the years, Taiwan has been subjected to intense outside interference, intended to use the island as a key geopolitical player against mainland China. From 1987, since the death of President Chiang Ching-kuo, till 2000, Taiwan's President Lee Teng-hui was the main puppet of U.S.- and London-based geopolitical circles epitomized by Zbigniew Brzezinski, Richard Perle, Paul Wolfowitz, and related Congressional circles today. These covertly worked to foster Taiwan's independence, and maximize the potential for armed conflict across the Taiwan Strait between Taiwan and the mainland. With the help of dirty tricks initiated by puppet Lee Teng-hui, the candidate for the Democratic Progressive Party (DPP), Chen Shui-bian, who is outspokenly for independence, was elected in early 2000.

Since then, the cultural, economic, and financial situation in Taiwan has deteriorated rapidly, mainly due to the international financial crisis, and the collapse of U.S. imports of the so-called "high-tech" products, of which Taiwan has been a big supplier. Unemployment is the highest in decades, pessimism about the future among scholars and businessmen, as well as in the population at large, has been growing.

The outcome of the Dec. 1 elections to the Legislative Yuan (the parliament) and to county and town leadership, therefore took many by surprise. Despite the economic woes of the island, President Chen Shui-bian's party, the DPP, won 33.4% of the vote, and 87 of the 225 legislative seats, an increase of 17 seats. Taiwan Solidarity Union (TSU), created a few months before the elections by Lee Teng-hui, won 7.8% of the vote, and gained 13 seats in the Legislative Yuan. The opposition to the DPP, although still a majority in the Legislative Yuan, lost a total of 65 seats, with the Kuomintang

(KMT) getting 68 seats—down 55 from the last elections—and the outspokenly pro-unification New Party (NP) winning 46, in its first legislative election since its creation a year and a half ago. Dr. Fung explains these developments in the interview. Thousands of people discouraged with the developments in the last years, have left the island, and did not participate in the election altogether (see box).

For someone who has followed the developments in Taiwan over the last several years, the degree and speed with which the potential for the future is being destroyed, is shocking. Provincialism and materialism prevail. The quality of the news media has deteriorated to the level of that of the United States, and the influence of Hollywood is apparent. The Chinese version of the "Harry Potter" series was the best-selling product in Taiwan in 2001, with more than 2 million copies sold! The economic and financial crisis, which is going to accelerate, is not being addressed.

Push For Independence Continues

Immediately following the legislative elections, a new think-tank, Taiwan Advocates (TA), was launched Dec. 3, with former President Lee Teng-hui as its chairman. At its founding, the chairman of TSU declared; "The TA is the second step in former President Lee Teng-hui's grand stragem. We, the TSU and the pro-Taiwan forces, will form a solid majority with DPP in the Legislative Yuan. Although the TA is designed to serve as the policy-making supplement to the TSU, it can also serve as a political bridgehead for the pro-Taiwan [independence] force."

President Chen Shui-bian had been invited as an honored guest, and gave a speech, in which he praised the launching of the TA, saying that the ideals of the TA corresponded to his recently proposed "National Stabilization Alliance." The President has called for the introduction of a new Presidential system before the next election, the which has been endorsed by Lee Teng-hui, and the latter has also proposed that the Constitution be changed—all initiatives which, according to local observers, are aimed at the future independence of Taiwan. The open embrace of puppet Lee Teng-hui, who for years hindered all collaboration across the Taiwan Strait, with the pro-independence DPP, in the context of the international strategic situation, are the ingredients for a great crisis in the future.

Several leaders from Taiwan, who had visited Beijing following the Dec. 1 elections, told *EIR*, that the authorities refuse to deal with the government of Chen Shui-bian, but will deal with unofficial channels. At a press conference on Dec. 5, the spokesman for Beijing's Central Office for Taiwan Affairs, Zhang Mingqing, said that the Chinese government will not deal with Chen Shui-bian, despite his party's recent gains, unless he recognizes Taiwan as a part of China. At the same press conference, Zhang ruled out the possibility of the two sides engaging in talks under the World Trade Organization framework, regarding opening direct cross-strait trade, postal and transportation links. According to Zhang, the issue of the so-called "three direct links" is an "internal matter," which should be discussed under the "one China" principle. "If necessary, the two sides can talk about direct links in a private manner, through discussions between companies and private parties," Zhang said.

Blocking Cross-Strait Economic Cooperation

Despite the efforts from Lee Teng-hui, to hinder a natural collaboration across the Taiwan Strait with his "no haste, be patient" policy, and various restrictions regarding Taiwan businessmen investing in mainland China, many have found ways to circumvent the rules. These very rules, however, have forced a lot of people to abandon Taiwan altogether, and have, in many ways, created a disadvantage for businesses from Taiwan. For example, Taiwan has two mid-sized international airlines, China Airlines and Eva Airlines, cut off from Chinese airspace and thus, overly dependent on North American routes. In the first half of 2001, they both lost well over 20% in profits. As about 3 million cross-strait trips are made annually through Hong Kong and Macao, allowing the airlines to fly directly to China, would be their best, long-term hope.

The issue of cross-strait air travel flared again in October, when Legislator Fung Hu-hsiang led a group of six airline executives to Beijing. Chinese authorities said, that China Airlines and Eva Airlines were welcome to operate their Asia-Europe routes over China's western regions, to avoid the military conflicts in Afganistan, which would be a faster and cheaper detour, than flying the southerly course through Pakistan, Iran, and Turkey. But the picture of Taiwanese executives publicly engaging in private negotiations with Chinese officials ruffled feathers in Taipei. The companies quickly capitulated, saying no to saving \$10-15,000 per Europe-bound trip.

Overall, the statistics regarding cross-strait economic activity, is guesswork, as most Taiwanese money finds its way into China via third parties, such as Hong Kong. The sums, however are big. The official Chinese figure is \$52 billion, and some Taipei-based investment research houses estimate, that up to \$100 billion of capital from Taiwan has been contracted. Chunghua Institution for Economic Research estimates, that more than 64% of Taiwan's out-



China and Taiwan. The abandonment by Taiwan's airlines, under Taiwan government pressure, of the right to fly over China's southern and western provinces, to avoid war zones and save tens of thousands of dollars per flight, is symptomatic of the geopolitical games helping to destroy Taiwan's economy, while China's grows. The rights were negotiated by Taiwan legislator Dr. Fung Hu-hsiang.

bound investment in 2000 went to China (up from 43% the year before).

Most of the Taiwanese investment into China is in an area known as the Huadong Industrial Zone, which runs from the south of the Jiangsu province, up to the north of Zhejiang province. According to the Jiangsu provincial government, about \$20 billion has been invested in the province from Taiwan. More than half of this amount has gone into two places: Shanghai, with about \$6.3 billion, and \$5.4 billion into Kunshan, about an hour's ride away, earning it the nickname "Taiwan Town." It is estimated, that more than 300,000 Taiwanese live and work in greater Shanghai. This is more than the Korean and Japanese expatriate populations combined, and more than the total number of Americans and Europeans in the city, according to the Shanghai municipal government.

After the recent elections, a number of leading figures told *EIR*, that they think that even more people from Taiwan will "take the leap" and move permanently to mainland China.