

# Taiwan in Financial And Political Turmoil

by Leni Rubinstein

Unlike 1997-98, when Asia was hit with a major financial speculative assault, and Taiwan seemed to weather the storm pretty well, the international financial and economic collapse is now hitting Taiwan full force. This fact, in combination with the incoming Bush Administration's geopolitical foreign policy, makes up the recipe for a potential international strategic crisis.

The blow against Taiwan has been hard and fast, and is continuing. In 2000, the Taiwan Stock Exchange (Taix) saw a drop of 54.4%, with losses of \$109 billion in market capitalization, an exodus of local industries, and the highest unemployment rate in 15 years. A total of 4,303 manufacturing companies islandwide closed down in the first 11 months of 2000, up 17% from the previous year. When the state-run China Steel Corp. in November put out an advertisement for 85 jobs, it got 6,800 applicants.

## The 'Green Silicon Island' President

The election of Chen Shui-bian to Taiwan's Presidency in the beginning of last year, has made Taiwan very vulnerable. Chen Shui-bian, who was elected by less than 40% of the population, does not have the confidence of Taiwan's industry and business community, because of several factors. During



*The Presidential tenure of Chen Shui-bian in Taiwan, begun with great controversy early last year, has so far been a period of sharp financial and economic decline on the island.*

the financial assault on Asia in 1998, a number of people in leading positions took protective measures against the speculators, both publicly and secretly. One such example was the collaboration between Hong Kong and Taiwan, in keeping megaspeculator George Soros at bay. With the new government, a number of young, inexperienced people have been put in key positions, and the old "protection team" is gone.

Secondly, a total ignorance regarding economy reigns supreme. One of the new government's first acts was to stop the construction of Taiwan's fourth nuclear power plant. This act, apart from clearly violating the Constitution of Taiwan, is endangering an already precarious energy supply for the future. And, despite warnings from leading economists, that one of the reasons for Taiwan's financial and economic problems lies in the global collapse of so-called high-tech products, the government's publicly stated, main goal is the development of a "knowledge-based" economy, and to turn Taiwan into a "Green Silicon Island." Taiwan's information technology (IT) hardware production last year was \$23 billion, and if Taiwanese companies outside of Taiwan are included, the total IT production was \$47 billion, up 18% from 1999, and making Taiwan the second-largest producer of IT hardware in the world, after the United States.

Taiwan has invested about \$40 billion in mainland China, and about \$20 billion in Malaysia, the Philippines, Thailand, Vietnam, and Indonesia combined. Most of the investments, however, have gone into the manufacturing of textiles, electronics, and IT-related appliances, the which products have then been exported to the United States, Europe, and Japan—the U.S. remaining by far the biggest export market, followed by Japan. With a collapsing U.S. economy, Taiwan's economy is in for a major blow. The chief economist at the International Commercial Bank of China in Taiwan, Wang Hehsong, in November 2000, issued a strong warning: He told Taiwan's businessmen to diversify their investments, and not simply focus on electronics and IT products, in order to prevent future financial and economic troubles.

In a show of total inadequacy to the crisis, Taiwan Premier Chang Chun-hsiung, in an article in the *Asian Wall Street Journal* on Dec. 27, wrote that the problems Taiwan is facing, were partly due to its transformation process and industrial upgrading toward becoming a "knowledge-based" economy. Chang wrote, that although there are problems with impaired assets in some financial institutions, the Taipei government is "closely monitoring the situation" and has taken "appropriate measures." These measures include encouraging mergers and acquisitions among financial institutions, promoting the establishment of asset-management companies, and lifting a ban on mergers of foreign and domestic financial institutions, measures that will make life easier for the speculators.

## Cross-Strait Relations Blocked

Added to President Chen Shui-bian's miserable performance, and the spreading in Taiwan of a high degree of uncer-

tainty for the future, is Chen's continued foggy and ambiguous attitude regarding the relationship to mainland China. There are repeated calls from the three opposition parties, the Kuomintang, The People First, and The New Party, for Chen Shui-bian to accept the 1992 agreement between Taiwan and mainland China, for the negotiations across the Taiwan Strait to be based upon the concept of "one China, different interpretations." Chen has refused to do so.

Several high-level sources in Taiwan told *EIR* in December, that the reason Chen Shui-bian has been stalling on this important issue, is that he has been counting on, and waiting for, a Bush government to take power in the United States, and that requests for added military assistance from Washington would be presented, as soon as the new U.S. government has taken office. In a meeting on Dec. 27 with a Japanese delegation of the Taiwan-Japanese Relations Research Association, Chen Shui-bian urged: "In the face of [China's] intensified military build-up, its ever-increasing military budget, and deployment of guided missiles in its coastal regions, our two countries must share information and cooperate more closely in the defense field in order to maintain peace, security, and stability in the Taiwan Strait and the entire Asia-Pacific area"—a statement foreboding dangerous developments in the future.

By contrast, an ever-increasing number of Taiwan legislators are continuously visiting mainland China to improve relations across the Taiwan Strait. Last November, the highest-level official from the Kuomintang (KMT) ever to visit the mainland, the former interior minister and vice chairman of KMT, Wu Poh-hsiung, led a 40-person delegation on a 12-day tour, which included meetings with several top officials in Beijing and Shanghai. Upon returning to Taiwan, Wu held

a press conference, in which he blamed Chen Shui-bian's cross-strait policies for causing a heightened degree of anxiety among Beijing leaders. Wu stated that the Chinese government views the cross-strait situation as "extremely critical," and is making "necessary preparations, including military preparations," in case the situation worsens. "I come back to Taiwan, and it seems no one here is particularly concerned—they go around saying, that there will not be a war within the next year. But this is not in accordance with the facts. We in Taiwan must acquire a deeper understanding of the situation on the other side of the Strait. . . . After taking back Hong Kong and Macao, people in China—ordinary people, as well as government officials—are anxious for Taiwan to return to the fold. People in Taiwan should really take notice of this phenomenon," Wu said. He also warned, that as the economic gap between Taiwan and China is closing, Taiwan will have less and less bargaining power with its much larger neighbor, making a direct resolution to the cross-strait tensions even more urgent.

It should be added, that these statements were issued by a very pragmatic senior politician, and that similar evaluations have been offered to *EIR* from top parliamentarians and scholars, who frequently visit mainland China to meet with officials there.

The Western media celebrated the establishment of the so-called three "mini-links," which were opened on Jan. 2. For the first time in 52 years, direct trade, post, and shipping links between Taiwan's outlying islands of Kinmen and Matsu and selected mainland Chinese ports were established. However, this was a unilateral move from the Taiwan side, and got, at best, a lukewarm response from Beijing. The three links are between the outlying islands and mainland China,

## U.S. Admiral Denounces Anti-China 'Blue Team'

A former U.S. defense attaché in Beijing, Rear Adm. Eric A. McVadon (ret.), wrote in the *Far Eastern Economic Review* for Dec. 21, that the "Blue Team's" (a reference to an alternative, supposedly tougher U.S. intelligence assessment) "unrelieved confrontation" must be replaced by one based on "real U.S. interests, neither tinted nor tainted by yellow journalism and partisanship." He says that there simply is no so-called "Red Team" which is soft on China. "Indeed, if there is a Red Team it is constituted of those in China who think like the U.S. Blue Team. The two feed on each other's often extreme and inflammatory views."

Admiral McVadon says that China has problems, and has done "many reprehensible things," but then points to

the many good things it has done—agreement to international conventions (including the Comprehensive Test Ban Treaty), "unprecedented economic growth," a serious fight against corruption, and an opening up internally that leaves most Chinese happy about living in China. "President Jiang Zemin has even subjected himself to inept interrogation by Mike Wallace on U.S. national television," said McVadon.

Referring to the many U.S. provocations against China—including the 1996 deployment of U.S. aircraft carriers off Taiwan, 100,000 U.S. troops stationed in the region, the revised U.S.-Japan Treaty security treaty, and recently revised Defense Guidelines—he proposes a "Purple Team," between Blue and Red, which will be less anxious to "start every bilateral exchange with an insult or two."

"The U.S. does not want China as an enemy," Admiral McVadon concluded.

and do not affect Taiwan proper.

As of this writing, two different legislative delegations are visiting mainland China to discuss the possibilities for opening up the three direct links with Taiwan proper. According to Chang Jung-kung, director general of the KMT Department of Mainland Research, who accompanied the Taiwan legislators during their meetings, Beijing's position on the proposed "three direct links" is, that all two-way exchanges should occur under the "one China" principle, and that Beijing considers the "three direct links" initiative a "domestic affair," which could be implemented on a "special case" basis. This view was echoed on Jan. 7 by Wu Jung-kuei, director of the Ministry of Transportation and Communication (for Taiwan), who said that full cross-strait shipping exchanges would be restricted and insignificant, if the "one China" issue were not tackled.

Because of the rapidly deteriorating financial and economic situation in Taiwan, the business community has put increasing pressure on Chen Shui-bian to ease the restrictions imposed by former President Lee Teng-hui regarding investment in China, and the government has declared that new, more flexible guidelines will be issued before the Chinese New Year, Jan. 24. Also, from the beginning of this year, Taiwan has allowed journalists from China to open their first-ever bureau. A reporter and an editor from China's state-owned Xinhua news bureau opened their office in late December in Taipei. Their restrictions, however, are severe, and have met protests from Beijing. The office must be staffed with rotating journalists, who can stay in Taiwan for only a month at a time. If the journalists wish to leave Taipei, they first have to get permission from the government. The journalists are allowed to participate in press conferences, but when it comes to individual interviews, they must apply one month before a planned date.

There are plans for easing the restrictions for mainland Chinese visiting Taiwan, and plans are being worked out to allow academic degrees obtained in mainland China to be valid in Taiwan. Taiwan is also seeing an increased number of high-level delegations from mainland China. However, in light of the combination of the unravelling international financial and economic crisis, the policies of the current Chen Shui-bian government, the expected policies from the new Bush government, and the recent major, Cold-War-style propaganda from the United States, the situation across the Taiwan Strait has the potential for becoming a strategic flash-point.

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## Germany

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# New Year Begins with Government Crisis

by Rainer Apel

The government of Chancellor Gerhard Schröder is sailing into very troubled waters, after the first two Cabinet ministers cracked under mounting public pressure: On Jan. 9, the Minister of Public Health, Andrea Fischer, and of Agriculture, Karl-Heinz Funke, announced their resignations, which had been expected for several weeks.

The growing public hysteria over the spread of "Mad Cow" disease, an hysteria fanned especially by Fischer's own Green party fellow-members, tilted the balance against her. During the past few months, she had come under increasing public attacks for her disastrous "health reform" project, which is modelled on health maintenance organizations in the United States. There has not passed a single day in recent weeks, without at least one protest action by medical personnel in one or several German cities, against Fischer. She has been the most hated minister in the Cabinet, and her mishandling of the sensitive "Mad Cow" issue, with a mixture of arrogance, populism, and suppression of compromising facts on the conduct of her ministry on this matter, made it impossible for her to stay. She had been expected to resign already before the Christmas recess, but Chancellor Schröder, in an unconvincing effort to pretend that the Cabinet stands firm, issued statements of support, keeping her in for another three weeks. But with the end of the recess, she had to quit, as did the Minister of Agriculture, who was charged with the same mishandling as she was.

### More Ministers Are in Trouble

An additional catalyst for these two resignations has been that several other Cabinet ministers have made bad news headlines, provoking calls for their dismissal: Labor Minister Walter Riester, because of his pension fund privatization plan; Finance Minister Hans Eichel, because of revelations about private use of government aircraft; Defense Minister Rudolf Scharping, because of proposed budget cuts in the Armed Forces, and, most recently, charges about depleted-uranium ammunition having been used in the Balkans; and, finally, Foreign Minister (and also Vice Chancellor) Joschka Fischer, whose role as a violence-promoting anarchist in the Frankfurt underground of the late 1960s and early 1970s is now being exposed.

The case of Joschka Fischer poses the most serious threat to the Chancellor, because Fischer, having risen to the post