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### MACROECONOMICS

In a briefing to a group of foreign correspondents in early September, Tony Phoo, chief economist in Taiwan for Standard Chartered Bank, said he is forecasting negative 5% growth for this year and a recovery of 3.1% growth next year, in contrast to the government's current projections of -4.09% and 3.92% respectively. Meanwhile, to help spur economic growth, the Central Bank in late September kept the benchmark interest rate unchanged at 1.25% to hold borrowing costs down. A statement by the Bank said that economic recovery is underway, noting that the -7.54% economic growth recorded in the second quarter was better than expected. "Taiwan's economic indicators, including export orders, industrial production, retail sales and capacity utilization, have improved recently," the statement said. Analysts say they expect the Central Bank to keep rates steady until at least the first quarter of next year, as the pace of recovery is still slow.

In other signs of a marginal recovery, exports in September were valued at US\$19.07 billion, which was 12.7% below the level of the same month last year. That drop was the lowest in the past 11 months, the Ministry of Finance noted. Imports, at US\$16.52 billion, were down by 21.1% from the same month last year, making for a favorable trade balance of US\$2.55 billion. However, export orders in August, a sign of shipments to come in the next few months, did not signal any improvement, and in fact dropped 11.96% from the same month last year, whereas July's decrease was only 8.77%. In addition, the seasonally-adjusted unemployment rate in September climbed to a record 6.09%, up from 6.07%

in August, a sign that although conditions are looking up somewhat, employers are still reluctant to hire.

## CROSS-STRAIT

### EXILED UIGHUR LEADER DENIED ENTRY

The government said in late September that it would not permit exiled Uighur leader Rebiya Kadeer to visit Taiwan, turning down her proposal to come in December at the invitation of two civic groups. Kadeer, who leads the exiled World Uighur Congress, had planned to deliver a series of speeches in Taiwan, but Minister of Interior Jiang Yi-huah said such a visit would be against the national interest, alleging that her organization is linked to terrorist groups. A spokeswoman for the Taiwan Youth Anti-Communist Corps, one of the would-be sponsors, said Kadeer planned to sue the government for slander over the allegation of terrorist connections. Beijing has accused her of orchestrating the ethnic violence that erupted in Xinjiang this July, and political analysts said Taipei presumably did not want to upset China ahead of negotiations for a proposed free trade pact between the two sides. Meanwhile, *The 10 Conditions of Love*, a documentary about Kadeer that China strongly objected to when it was shown at the Melbourne Film Festival, was screened at various locations around the island at the arrangement of human rights groups. Chinese tourists reportedly boycotted Kaohsiung due to the southern city's decision to show the documentary at its film festival.

## DOMESTIC

### NEW CABINET MINISTERS ASSUME OFFICE

The new government of Premier Wu Den-yih replaced a number of ministers in a reshuffle in early September, following criticisms over the slow handling of rescue operations during typhoon Morakot, which killed almost 600 people in August. Shi Yen-shiang, chairman of the CPC Corp., Taiwan's state-owned oil company, returned to the Ministry of Economic Affairs, where he had previously served as vice minister, to become the minister. Among other new appointees were Timothy Yang, a career diplomat, as foreign minister; retired army general Kao Hua-chu as defense minister; Yale-educated political scientist Jiang Yi-huah as interior minister; and Tsai Hsun-hsiung, a Minister without Portfolio and former head of the Environmental Protection Administration, as minister in charge of the Council for Economic Planning and Development. The reshuffle did not indicate any significant changes in President Ma Ying-jeou's foreign, economic, or China policies, according to political commentators.

### CHEN SHUI-BIAN GETS LIFE SENTENCE

In a landmark case that rocked the island, former president Chen Shui-bian on September 11 was sentenced to life imprisonment for corruption by the Taipei District Court. Chen is appealing the ruling. Court spokesman Huang Chun-ming said that the 58-year-old Chen — a decade ago considered to be one of the cleanest politicians in Asia — was found guilty of six crimes during his tenure as president, including embezzlement of government funds from a special expense account, forgery, and accepting bribes equal to millions of U.S. dollars in relation to a land deal. The sentence was severe, Huang said, as it had inflicted serious damage on the nation. The court announced that Chen would also be fined NT\$200 million (over US\$6 million). Former first lady Wu Shu-chen also received a life sentence for seven crimes relating to corruption and was fined NT\$300 million.

In addition, the court handed down sentences on 11 others involved in the case, including the former president's son and daughter-in-law (who received sentences of two-and-a-half years and one year, eight months respectively, along

with fines). Chen's office later issued a statement slamming the verdict as an "unconstitutional, illegal, and invalid ruling" and accusing Taiwan's justice system of unfairness. Outside the courthouse, the surrounding roads were cordoned off and thick barbed-wire barricades were placed in front of the entrance. Hundreds of police stood guard, as around 300 of Chen's hardcore supporters angrily shouted slogans proclaiming his innocence. In late September, the High Court ruled that Chen should remain in detention for a further three months during his appeal. He also received a further indictment for allegedly pocketing US\$330,000 from a foreign-affairs fund for personal use.

## U.S LEGAL EXPERT CRITICIZES THE TRIAL

Jerome Cohen, co-director of New York University's U.S-Asia Law Institute and one of the world's foremost experts on Chinese law, criticized the Taiwanese legal system's handling of Chen's case in an article in the South China Morning Post. While Cohen said he did not believe the verdict was a direct vendetta by the Kuomintang of President Ma Ying-jeou (a former student of Cohen's at Harvard), he described it as revealing shortcomings in Taiwan's legal system. He noted that Taiwan has "made great, but imperfect progress towards democracy, judicial independence and government under law." Cohen criticized "overzealous attempts to keep Chen detained, persistent leaks of confidential information to the media, and a rogue prosecutor's clandestine contacts with Chen." He also cited the prosecutors' campaign to refer one of Chen's lawyers, Cheng Wen-lung, to a disciplinary committee for alleged violations of law and ethics when he questioned the fairness of the trial. Cohen said that campaign was reminiscent of Beijing's repression of human rights lawyers and "Singapore's moves against anyone who questions judicial fairness."

## YUNLIN BY-ELECTION GOES TO DPP

In a sign of growing discontent with the KMT following its handling of deadly typhoon Morakot, DPP candidate Liu Chien-kuo won a legislative by-election in Yunlin County in September by a landslide. Lin, with 74,292 votes, beat the KMT's candidate Chang Keng-hui, with 29,278 votes, with a voter turnout of 45.55%. This means that the DPP now has one-quarter of the legislative seats. Outgoing KMT chairman Wu Poh-hsiung said it was a warning sign for his party. The by-election was held after former KMT lawmaker Chang Sho-wen, who won the seat in legislative elections last year, was disqualified after being convicted for vote buying.

## INTERNATIONAL

### TAIWAN DROPS U.N BID

In late September, the Ministry of Foreign Affairs (MOFA) announced that Taipei would drop its 16-year practice of making an annual bid to rejoin the United Nations. Ministry spokesman Henry Chen said that for the moment Taiwan will also refrain from seeking to join any U.N bodies that require statehood as a condition of membership, as the effort would not succeed and would only antagonize Beijing. Instead, the Ministry said, Taiwan will apply to join two specific U.N agencies: the International Civil Aviation Organization as an observer, a status already awarded to Palestine, and the United Nations Framework Convention on Climate Change. Ministry officials said they were prepared to be flexible about the nomenclature to be used for the membership. MOFA asked Taiwan's 23 diplomatic allies to support these requests during debate at the U.N General Assembly in late September, though only 15 did so.

After Ma took office as president in 2008, last year's bid was watered down from a request for full membership to

one asking for meaningful participation in specialized U.N agencies. China was unusually silent.

## TAIWAN HOSTS ANOTHER LARGE SPORTS EVENT

Taiwan in September hosted another high-profile sporting event. Following the World Games held in Kaohsiung in July, Taipei in September hosted the 21st Summer Deaflympics, a quadrennial event for deaf athletes that is sanctioned by the International Olympic Committee. More than 4,000 deaf athletes and officials participated in 177 events, with the Russian Federation coming out on top with 98 gold, silver, and bronze medals. Ukraine was second with 67 medals overall, while Taiwan placed fifth with 33 medals.

## BUSINESS

### HIGHER RANK IN WEF COMPETITIVENESS SURVEY

Taiwan's ranking in the World Economic Forum's annual Global Competitiveness Report rose five notches — to 12th from last year's 17th — in the 2009-2010 edition released in early September. Some of Taiwan's regional rivals fared better, with Hong Kong ranked at 11, Japan at 8, and Singapore in third place. Switzerland topped the list, followed by the United States. The rankings were calculated both from publicly available data and from the World Economic Forum's annual survey, conducted together with partner institutes, of 13,000 business leaders in 133 economies. The assessment includes such factors as institutions, infrastructure, macroeconomic stability, higher education, and training.

### PENGHU RESIDENTS NIX CASINO PLANS

Residents in the Penghu archipelago voted against a plan to allow Taiwan's first casinos to be built in their county. The results dashed the hopes both of county officials of creating a source of income to replace tourism during the winter months and of developers, such as Britain's AMZ Holdings, that had expressed strong interest in building casino resorts there. In a referendum asking: "Should international resorts with casinos be allowed in Penghu?", 17,359 voters said no, compared with 13,397 who said yes. Under law, another referendum on the issue may not be conducted for the next three years.

### MORE FINANCIAL WOES FOR HIGH-SPEED RAIL

Amid reports that the financially troubled Taiwan High Speed Rail Corp. is struggling to repay its bank loans, the corporation's Chief Executive Officer, Ou Chin-der, in late September took over the chairmanship from Nita Ing, who had led the company from its inception. The move was widely interpreted as giving the government effective control over the 345-kilometer-long rail system, as Ou serves on the board in his capacity as the legal representative of a state-run foundation. Local media quoted Minister of Transportation and Communications Mao Chi-kuo as saying that while the government would oversee the company management, it had no plans to inject additional capital or buy out the corporation. The company, which has total debt of around NT\$380 billion (US\$11.7 billion) in bank loans and European convertible bonds, is seeking renegotiation of the interest rate on the loans from the banking consortium. Premier Wu has also said the government will consider cutting the salaries of some of the company's high-ranking executives and senior advisers, according to media reports.

