

Part 2 : Chapter 7 - Taiwan

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Chapter 7

TAIWAN

Taiwan

Area:	36,188 km ²
Population:	22.77 million (as of end of 2005)
Capital:	Taipei
Language:	Chinese (Mandarin, Taiwanese, Hakka dialects)
Religion:	Buddhism and Taoism
Government type:	Multiparty democracy
Chief of state:	President CHEN Shui-bian
Currency:	New Taiwan dollar (TWD) (called in Mandarin) (US\$1 = NT\$32.167; 2005 average)
Fiscal year:	Calendar year (since 2000)

Ruling Party Bogged Down by Conflict

HIROSHI IKEGAMI and TAKAYUKI TAKEUCHI

In the legislative elections in December 2004, the Democratic Progressive Party, the ruling party, failed to increase its number of seats as expected, and the opposition parties, also known as the Pan-Blue Coalition, secured the majority of the seats in the Legislative Yuan. Furthermore, the Democratic Progressive Party suffered a crushing defeat in the unified local elections in December, and the second Chen Shui-bian administration continued to be in danger of becoming a lame-duck administration. Meanwhile, the KMT elected Ma Ying-jeou, mayor of Taipei City, as party chairperson in the election held in July. Ma Ying-jeou is a person who has been seen since early on as a potential future candidate for president of Taiwan. In the unified local elections, the KMT was victorious in 14 elections of county magistrates and provincial municipal mayors. Hoping to recapture the national administration in the 2008 presidential election, the KMT gave the impression that it was showing signs of revival.

Since China enacted the Anti-Secession Law (in March) which includes non-peaceful means, it has been criticized by many countries. However, Lien Chan, then KMT chairperson, and James Chu-yu Soong, People First Party (PFP) chairperson, held talks (in April and May) in China with Hu Jintao, general secretary of the Communist Party of China (CPC), and they urged promotion of exchanges between Taiwan and China and voiced opposition to Taiwan independence. This may have offset, to some degree, the negative image of China engendered by the Anti-Secession Law. Ma Ying-jeou, the new KMT chairperson, also emphasized the Senkaku Islands issue (also known as the Diaoyutai Islands) and

shares China's view of their history. In the event that Ma Ying-jeou were to become president of Taiwan, the relationship between Japan and Taiwan may become more difficult. The KMT took a hard-line stance even in the Japan-Taiwan fishing dispute this year. However, the current ruling party of the government desires continued expansion of collaboration with Japan on defense and expansion of personal connections between the countries.

In economic news, the economic growth rate was 4.09 percent in 2005, and so the economy achieved solid growth in continuation from the previous year. Political relations with China are as cold as ever, but when it comes to the economy, relations are growing deeper through trade and investment.

Due to the failure of Taiwan Business Bank to sell stock owned by the government, the Legislative Yuan passed a resolution requesting the government to halt the second financial reform. Moreover, Taiwan High Speed Rail (THSR), which was scheduled to begin operation at the end of October, was postponed for one year due to delays in the machinery and electrical system. Due to this, the government established the THSR Contingency Team in the Executive Yuan to strengthen the risk management and supervision of the THSR construction.

DOMESTIC POLITICS

Personnel Reshuffle in the Government and Ruling Party

Following President Chen Shui-bian's defeat in the legislative elections (on December 11, 2004), there was a reshuffle of personnel in the government and the ruling party. First, the chairperson of the Democratic Progressive Party (DPP), Chen Shui-bian, took responsibility by resigning. The DPP's Central Steering Committee appointed as its acting chairperson Ker Chien-ming, the Legislative Caucus Convener of the Legislative Yuan (Majority Leader). On January 30, the DPP chairperson election was held and was won by Su Tseng-chang, secretary general to the president (assumed office on February 15). Also, on January 24, the cabinet under Yu Shyi-kun, the president of the Executive Yuan (hereinafter "premier"), resigned en masse, and on the following day of January 25, President Chen appointed as Yu's successor Frank Chang-ting Hsieh, mayor of Kaohsiung City (and he assumed office on February 1). Frank Hsieh, the new premier, ran as the DPP candidate for vice president in the

1996 election, and he held dual office as DPP chairperson from 2000 to 2002. Having studied at the graduate school of Kyoto University in Japan, he is also pro-Japanese.

Su Tseng-chang, DPP chairperson, and Premier Hsieh are considered to be leading candidates for the next presidential election. However, Chen Chi-mai, minister without a portfolio who is close to President Chen, assumed office as acting mayor of Kaohsiung City, thereby suppressing the expansion of influence of Premier Hsieh. Meanwhile, Yu Shyi-kun, the previous premier, returned to his former job (held in 2001–2) as secretary-general to the president. It seems that President Chen, to whom Yu Shyi-kun is close, decided that in order to retain his potential as a presidential candidate, it was actually wiser to demote him than to leave him without a responsible position.

Vice Premier Yeh Chu-lan also retired from that post and assumed a position as senior advisor to the president. Following the legislative elections, the KMT insisted on forming its own Cabinet, giving as its reason the victory of the opposition camp. However, the so-called opposition camp did not even have a formal faction in the Legislative Yuan. Also, the first party of the Legislative Yuan is the DPP. As a compromise, President Chen sought to appoint Chiang Pin-kung, vice chairperson of the KMT, as vice premier, but the KMT demanded a consultation among the political parties first, and Chiang Pin-kung himself also refused to accept the request on his own volition alone. After waiting until the deadline for the response (February 17), President Chen installed (on February 18) Wu Rong-I, the president of Taiwan Institute of Economic Research (TIER), as vice premier. Vice Premier Wu was a supporter of the “No Haste, Be Patient” policy (a policy of caution in dealing with mainland China developed by the Lee Teng-hui administration), and when he assumed office, he stated that he would give precedence to his public position rather than to his private opinion.

Lawsuit over Shooting Incident Stunt of 2004 and General Election

The March 19 Shooting Truth Investigation Special Committee of the Legislative Yuan was judged unconstitutional in December 2004, and it lost some of its authority. The committee released a report at the end of January declaring that the shooting was a stunt; however, it lacked proof and ignored the opinion of experts appointed by the prosecutor’s office and the opposition parties. It was reported that James Soong, chairperson

of the PFP, recognized the reelection of President Chen at the Chen-Soong Meeting (on February 14).

On March 7, the Ministry of Justice announced that the shooting suspect was a man from Tainan City and that he had committed suicide by drowning nine days after the incident. However, the note he purportedly left behind confessing to the crime was burned by his family, and the weapon was never found. The KMT held a street demonstration to demand the truth be investigated on March 19, 2005 (the first anniversary), but James Soong, chairperson of the PFP, declined to participate.

Furthermore, the Supreme Court dismissed the opposition parties' appeal of a lawsuit to invalidate the general election winners on June 17 and to invalidate the general election on September 16, thus settling the validity of the general elections.

Absence of the Members of the Control Yuan

The Control Yuan is a quasi-judicial organ that has the right to conduct its own investigations of the national administration. Using those results and testimony of ordinary citizens, it denounces wrongdoings and failings as well as waste of money by government agencies. Formerly, it was one of the representative institutions, but an election of members of the Control Yuan has never been held in Taiwan. Currently, the president nominates the members of the Control Yuan and the Legislative Yuan approves them. At the end of January, the third term of members of the Control Yuan including Fredrick Fu Chien, president of the Control Yuan, expired. president Chen nominated 29 persons for the fourth term of the members, including Clement Chien-pang Chang (KMT), senior advisor to the president and former county magistrate of Taipei, as president of the Control Yuan, and Hsin-Huang Michael Hsiao, national policy advisor to the president and research fellow at the Institute of Sociology, Academia Sinica, as vice president of the Control Yuan. However, the opposition camp accused the ruling party of bias in its selections and refused to consider the selections in the Legislative Yuan. For this reason, the members' positions were unoccupied after February 1, and so the secretary-general of the Control Yuan is carrying out the duties of the members of the Control Yuan, including those of the president and vice president.

The Search for and Failure of Cooperation between the DPP and the PFP

The PFP which was crushingly defeated in the legislative elections in

2004 withdrew from a coalition with KMT. Thereupon, the DPP tried to prevail upon the PFP and obtain a majority in the Legislative Yuan, thereby gaining a golden opportunity to overpower the KMT. The DPP and the PFP are in conflict on constitutional issues and national policy toward China, but the DPP considered it possible to cooperate on the KMT asset problem and the budget proposal for purchasing US-made weapons. Meanwhile, James Soong, chairperson of the PFP, aimed to regain influence over the KMT through collaboration with the DPP.

When the sixth Legislative Yuan began, the KMT and the PFP cooperated and elected Wang Jin-pyng (KMT, reelected) as president of the Legislative Yuan and Chung Jung-chi (PFP) as vice president (on February 1). However on February 24, President Chen and James Soong, chairperson of the PFP, held talks (the Bian-Soong Meeting), and they agreed on ten items, including the avoidance of impetuous revision of the Constitution, maintenance of the current relations and promotion of less tension across the Taiwan Straits, promotion of contact with China through the three direct links of trade, mail, and air and shipping services across the Taiwan Straits, equipping of an appropriate self-defense force, and promotion of reconciliation among ethnicities. Moreover, it was reported that the budget to purchase weapons was approved, but this did not take place. It was also reported that President Chen was studying the appointment of PFP Chairperson James Soong as chairperson of the Straits Exchange Foundation, but James Soong turned down the appointment. A second Chen-Soong meeting was scheduled, but in the end, only low-level business consultation took place.

In the PFP, legislators who desired a coalition with the KMT reacted to the scheduled Chen-Soong meetings. The DPP was also divided over whether to approve of the talks. The Taiwan Solidarity Union and previous president Lee Teng-hui criticized President Chen, and an intention to resign in protest was indicated by independent faction member Koo Kwang-Ming and Wu Li-pei, who were senior advisors to the president, and by Ng Chiau-tong and Alice Mei-Lin King, who were national policy advisors to the president (the only one to actually resign was Wu Li-pei). Subsequently, the relationship between the DPP and the PFP deteriorated due to the visit of James Soong, chairperson of the PFP, to China and the events surrounding the election of the National Assembly, and so no actual results were produced by cooperation between them.

The Final National Assembly and Constitutional Revision

In June, the Constitutional Revision Bill was approved by the National Assembly. This constitutional revision consisted mainly of reform of the Legislative Yuan and changes in the procedures for approving constitutional revision bills and territorial alterations. First, the bill reduced by half the number of seats in the Legislative Yuan, from 225 seats to 113 seats. Heretofore, the legislative elections had linked the winner's percentage of the vote in the multi-seat constituency system to the number of votes won in the proportional representation system (without districts). However, from the next elections, the combination system of proportional representation and single seat constituency, which are also used in Japan, will be introduced. The authority to approve the constitutional revision bills, etc., was retained by the National Assembly, but for future constitutional revision bills, etc., the approval process will be conducted by referendum, and the National Assembly will be abolished.

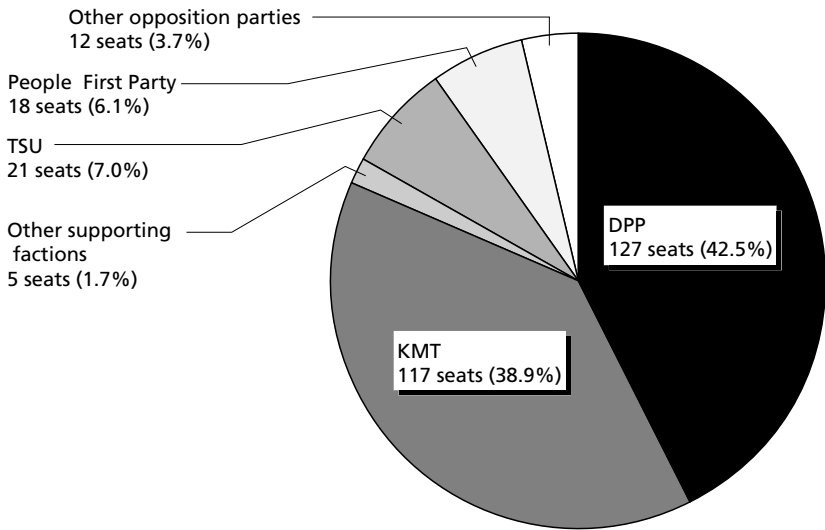
Prior to this, the National Assembly representative election was held on May 14. The election was conducted according to the proportional representation system, and participating political parties, etc., were obligated to announce their approval or disapproval of the Constitutional Revision Bill. Taiwan Solitarity Union (hereinafter TSU) consistently opposed the single-seat constituency system which were a disadvantage for small political parties. The PFP approved at the deliberations of the Legislative Yuan (in August 2004), but this time they changed their stance to disapproval, on the excuse that the introduction of a referendum in the constitutional revision approval process was not based on any legal principle. The true reason most likely was that the party disliked the introduction of single-seat constituency because it had withdrawn from its coalition with KMT the previous December. Meanwhile, DPP and KMT indicated their approval, won approximately 80 percent of the legislative seats, and presented a glimpse of the possibility of a two-party system in the future (Figure 7.1).

Moreover, as upcoming constitutional revisions, President Chen raised the possibility of a shift from the five "yuan" to three branches as well as revision of the main text of the Constitution (revisions heretofore have been to amendments), but no concrete moves have been made.

Birth of a New KMT Chairperson: Ma Ying-jeou

KMT Chairperson Lien Chan announced his retirement in December 2004. However, it seems that he was actually hoping that, if his China

Figure 7.1. National Assembly Representative Elections: Seats and Percentage of Vote Won by Each Political Party



Source: Central Election Commission website (<http://www.cec.gov.tw>).

visit was a success, demand would mount for him to continue in office. Nevertheless, because the popular Ma Ying-jeou became a candidate for KMT chairperson, Lien Chan was unable to reverse his retirement.

Lien Chan announced his neutrality on the surface, but party leaders close to him supported the opposition candidate Wang Jin-pyng, president of the Legislative Yuan. Wang Jin-pyng was a Taiwanese local and was close to the previous president, Lee Teng-hui. On the other hand, 20 percent to 40 percent of KMT members were external-province natives, also known as mainlanders. Thereupon, Wang Jin-pyng attempted to win the votes of external-province natives by visiting Villages for Military Personnel and Their Dependents, inspecting the area around the Senkaku Islands by battleship, and requesting the appointment of Lien Chan as honorary chairperson. Moreover, central party members suppressed criticism of the Ma Ying-jeou camp and permitted persons who had not paid their party dues (many of whom were Taiwanese locals) to vote on the condition that they paid their dues before voting. However, Ma Ying-jeou won, capturing 72.4 percent of the votes (vote counting began immediately after voting on July 16, and he assumed office on August 19). Wang Jin-pyng captured only 27.6 percent of the total vote,

and even in Wang's native Kaohsiung County Ma Ying-jeou was able to get 54.7 percent of the vote.

Ma Ying-jeou was born in Hong Kong and is the son of external-province natives. His ultimate goal is reunification with China, with the conditions that China be democratized and that it reevaluate the 1989 Tiananmen incident. Moreover, he represented himself as a specialist on international law and showed strong interest in the Senkaku Islands issue. Furthermore, he attempted to patch up the connection between the KMT and Taiwan by contributing an article to a daily newspaper where he extolled the Taiwanese people's resistance movement against oppression and discrimination in the days of Japanese rule and hid the dark past of the KMT, such as the massacre of the 228 incident and the dictatorship under Chiang Kai-shek, while crediting the KMT with the democratization that had taken place since the end of the 1980s ("60th Anniversary of Taiwan's Retrocession," *China Times*, October 25, 2005). On the same day, a conference on the 60th Anniversary of Taiwan's Retrocession to China took place, and Jia Qinglin, member of the Politburo Standing Committee of the CPC (chairperson of the Chinese People's Political Consultative Conference) stated that the independence of Taiwan was a plot by Japanese militaristic elements. China's KMT and CPC cooperated to make a scapegoat out of Japan.

Current issues are sale of the KMT's assets and reduction of the party's staff. Assets sold were the land of the Institute on Policy Research and Development (NT\$4.3 billion), China Medical Center (NT\$400 million), former Taiwan Provincial Government Headquarters (NT\$300 million), and China Television Company, Broadcasting Corporation of China (BCC), and Central Motion Picture Corporation (three companies for a total of NT\$9 billion). However, the land of the Institute on Policy Research and Development was forcibly expropriated from ordinary citizens, and the land of BCC was formerly a Japanese asset and was illegally obtained. Moreover, there is criticism that Ma Ying-jeou abused his authority as mayor of Taipei City in the change of land usage at the time of sale. The KMT headquarters, which is scheduled to relocate, is a former national asset that was acquired at an unfair price, and it is difficult to sell to an ordinary company because the land is reserved for public agencies.

Suspicion of Corruption in Kaohsiung MRT Construction

The Thai laborers engaged in the construction of the Kaohsiung MRT (subway) started a riot (on August 21). Because the riot was caused by

poor working conditions, Chen Chu, minister of the the Council of Labor Affairs, Executive Yuan, and Chen Chi-mai, acting mayor of Kaohsiung City, resigned to take responsibility. Moreover, collusion between politicians and the labor brokers of the Thai laborers was pointed out. Chen Che-nan, former deputy secretary-general to the president (who was close to President Chen, and is the father of Chen Chi-mai, acting mayor of Kaohsiung City), was expelled from the DPP when it was discovered that he had received trips to Thailand and South Korea as gifts from the labor brokers. Furthermore, due to suspicion of corruption surrounding awarding of construction contracts, indictments were issued for persons involved in the MRT in the Kaohsiung City government while Premier Hsieh was mayor, including Chou Li-liang, political deputy minister of the Ministry of Transportation and Communications (former director-general of the Mass Rapid Transit Bureau of Kaohsiung City) and Chen Min-hsien, former vice chairperson of Kaohsiung Rapid Transit Corporation.

The dignity of President Chen and Premier Hsieh was tarnished, and the corruption was also the cause of the defeat of the DPP in the December local elections. Moreover, on the day of the local election, at the construction site of the Kaohsiung City MRT, a number of large sink-hole problems kept appearing, creating an even worse impression among the voters.

Unified Local Elections and the Defeat of the DPP

On December 3, unified local elections were held (for county magistrates, provincial municipality mayors, county and city council members, rural and urban township magistrates, and county municipality mayors). The KMT advertised it (particularly the elections of the county magistrates and the provincial municipality mayors) as “an interim test of President Chen.” The local media created a buzz over the first battle of KMT Chairperson Ma Ying-jeou. Meanwhile, the Kaohsiung MRT problem has reverberations for the DPP, and from the beginning, the party was expected to have a difficult fight (Table 7.1).

In the end, the KMT won 14 elections of county magistrates and provincial municipal mayors. All four of the DPP’s former cabinet members and politically appointed officers lost their election bids, and the party won only six elections of county magistrates and provincial municipal mayors (prior to election revisions, each party had nine county magistrates and provincial municipal mayors). In the night of that day, Su

Table 7.1. Results of 2005 Unified Local Elections

	(Persons)						
	DPP	KMT	PFP	TSU	Other	Ind.	Total
County magistrates and provincial municipal mayors	6	14	1	0	1	1	23
Total vote won (%)	(41.5)	(50.9)	(1.1)	(1.1)	(0.1)	(4.6)	–
County and city councils	192	408	31	11	2	256	900
Total vote won (%)	(22.2)	(40.1)	(3.9)	(2.3)	(0.5)	(30.6)	–
Rural and urban township magistrates and county municipality mayors	35	173	3	0	1	107	319
Total vote won (%)	(23.6)	(46.4)	(1.0)	(0.7)	(0.0)	(27.9)	–

Source: Central Election Commission website (<http://www.cec.gov.tw>).

Note: Percentages do not add up to 100% due to rounding down to the one decimal place.

Tseng-chang, DPP chairperson, declared his intention to resign. The Taipei County magistrate election was watched particularly closely as a proxy war between President Chen and KMT Chairperson Ma Ying-jeou. However, DPP candidate Luo Wen-jia, former minister of the Council for Hakka Affairs, went so far as to appeal for DPP reform (“New DPP Movement”) and distanced himself from the unpopular President Chen. Just prior to the voting, candidate Roy Chou (Chou Hsi-wei) (who has switched from PFP to KMT) disclosed a video of a campaigner handing out cash inside a bus and declared that it was a case of the Luo Wen-jia camp caught red-handed buying votes. Candidate Luo Wen-jia and Su Tseng-chang, DPP chairperson, insisted on their innocence, saying “we would retire from politics if the video was real,” but the DPP was defeated anyway. In Yilan County, David Chen (Chen Ding-nan), previous minister of justice who first deposed the KMT in 1981, aimed to make a comeback as county magistrate, but he lost by a small margin. In Taichung City, Lin Chia-lung, former minister of the Government Information Office, ran as a candidate, but Jason Hu (Hu Chih-Chiang) (KMT) was reelected as the provincial municipality mayor, maintaining a clear lead from start to finish. Chiu Tai-san, former deputy minister of the Mainland Affairs Council, who ran in the Taichung County magistrate election, was also defeated. In Nantou County, the DPP had the advantage but ended up having a split election due to the candidacy of Tsai Huang-liang and County Magistrate Lin Tseng-nan, who failed to receive official recognition, and so the KMT candidate, Lee Chao-ching, reaped the benefit of the

DPP's split and won. In Tainan City, which is President Chen's home, and Tainan County, the DPP won by a slim margin.

Following the elections, within the DPP the responsibility for the defeat was placed more upon President Chen than upon Party Chairperson Su Tseng-chang, and there were voices demanding a public apology. However, President Chen did not appear in public and offered no apology whatsoever. Moreover, Premier Hsieh declared his intention to resign, and President Chen initially dissuaded him from resigning "for the sake of political stability." The DPP became internally confused, with Vice President Lu Hsiu-lien, who was installed on December 7 as acting DPP chairperson, temporarily indicated (on December 12) her intention to resign immediately following his installation, saying that President Chen doubted her ambition to be the next president. The next election for party chairperson was scheduled for January, and Yu Shyi-kun, who was close to President Chen and held the position of secretary-general to the president, resigned that position and announced his candidacy for party chairperson (on December 19). There were a total of three candidates, with Chai Trong-Rong, legislator, and Wong Chin-chu, former Changhua County magistrate, running in addition to Yu Shyi-kun.

(by Takayuki Takeuchi)

ECONOMY

Overview of the Macro Economy

The economic growth rate in 2005, at 4.09 percent, was slower than the 6.07 percent of 2004, but economic growth remained firm. The growth rate in each quarter was: first quarter 2.49 percent, second quarter 2.97 percent, third quarter 4.38 percent, and fourth quarter 6.40 percent. According to the Directorate General of Budget, Accounting and Statistics (DGBAS) of Executive Yuan, growth in the first half of 2005 was only 2.73 percent, which is analyzed as being due to visible exhaustion in exports and domestic production as a result of the global economic slowdown and shifting of manufacturing overseas. On the other hand, the 5.40 percent growth during the second half of the year is analyzed as being due to the increase in exports and manufacturing, the improvement in the unemployment rate, and the firm increase in personal consumption accompanying the increase in demand for consumer electronics overseas. Another large factor in this economic growth is the fact that the rate of increase of

imports declined sharply. Imports in 2005 increased by 3.22 percent, as compared to 18.55 percent in 2004. Meanwhile, exports increased by 6.93 percent, which is less than half of the 14.83 percent increase rate in 2004, but this far exceeded the rate of increase in personal consumption (2.96 percent), government consumption (0.46 percent), and fixed asset formation (0.46 percent), and so the firm increase in exports was a factor in economic growth.

Looking at industry, manufacturing grew by 5.76 percent and the trade, accommodation, and restaurant industries grew by 6.59 percent. These are the main industries that contributed to growth. Among industries overall, manufacturing accounts for 29.2 percent and trade, accommodation, and restaurants account for 21.8 percent. Within manufacturing, the electronics industry accounts for approximately one-quarter, and the fact that electronics grew by nearly 20 percent since 2004 contributed to the overall growth of manufacturing.

Consumer prices rose by 2.3 percent. This rise is a continuation from the previous year and was affected by the higher price of crude oil. It may be said that deflation, which had been a problem since 2000, has been overcome. Moreover, the unemployment rate, at 4.13 percent, was the lowest since 2001 because employment was supported by firm economic growth.

Deepening Economic Relationship with China

Politically speaking, Taiwan's relationship with China has not improved at all. However, in its economic aspects, the relationship is deepening more and more. One example of that is direct charter flights between mainland China and Taiwan which took place for the first time in two years. There were no such flights in 2004 because both sides could not agree on the terms and conditions, but in 2005 agreement was reached just prior to the Chinese New Year which was on January 15.

The main content of the agreement was that a total of 12 airlines, with 6 each from Taiwan and China, would link together and provide service for a total of 48 flights. Five flight locations were specified, Beijing, Shanghai, and Guangzhou in China, and Taipei and Kaohsiung in Taiwan. The flight period was from January 29 to February 20, and passengers were limited to Taiwanese businesspersons who live in China and their families.

On previous occasions, service was provided only by Taiwanese airlines, but this time Chinese airlines also provided service. This marked

the first time for Chinese airlines to enter Taiwan since 1949, except for hijack incidents. This time China also increased the number of flight locations to include Beijing as well as Guangzhou, in addition to Shanghai which was the only location previously. Furthermore, previous flights stopped in Hong Kong or Macau as a matter of form before proceeding to Taiwan, but this time the flights were nonstop. However, for reasons of Taiwanese security, flights did not directly cross the Taiwan Straits, but instead flew to Taiwan via Hong Kong's Flight Information Region.

On November 18, agreement was also reached on charter flights in 2006. In that agreement, the number of flights is further increased to 72, and Xiamen (Amoi) is added as a new flight location. The flight period is from January 20 to February 13, and passengers are specified as "Taiwanese with passes for traveling between mainland China and the region of Taiwan," thus expanding the scope from Taiwanese businesspersons and their families. However, the agreement does not include items sought by China such as flights outside the Chinese New Year season or cargo flights, and agreement could not be reached to shorten the flight by passing directly across the Taiwan Straits. These items are likely to be focal points in future negotiations.

Meanwhile in trade, Taiwan's relationship with China has deepened. Taiwan exported US\$40.6 billion worth of goods to China, making China the top destination for Taiwanese exports. In imports, Taiwan imported US\$19.9 billion from China, making China Taiwan's third largest source of imports, following Japan and the United States. China accounted for 21.4 percent of the value of exports from Taiwan and 11 percent of the value of imports to Taiwan. Thus for the first time China was Taiwan's top partner in terms of value of imports and exports combined, which means that China is Taiwan's largest trade partner.

The relationship is similar in the field of direct investment. Taiwan's direct investment in China on an approval basis was US\$6 billion in 1,297 cases in 2005. This is a lower monetary amount and fewer cases than in 2004; however, considering that Taiwan's direct investment in 2005 other than in China amounted to US\$2.4 billion in 521 cases, it is appropriate to understand Taiwan's direct investment as being heavily weighted toward China. Henceforth, overseas direct investment by Taiwanese companies is likely to continue to be centered primarily in China.

Implementation and Setbacks in Second Financial Reform

In November 2004, the Executive Yuan discussed and decided the basic goals and the schedule of the second financial reform. Financial reforms

themselves have been implemented based on the opinion of the National Economic Development Advisory Conference held in 2001, and in the first financial reform, bad loans in the financial sector of a little over NT\$1.2 trillion were amortized. The government states that it averted a financial crisis through this.

Behind the second financial reform is the fact that there are a large number of companies in a small-scale financial sector. As a result of deregulation, many private banks have been established in Taiwan where formerly only state-owned banks operated. For this reason, competition arose in the domestic financial sector and banks were burdened with bad loans, and so the scale of the financial sector became small. The small scale of the financial sector also led to a decline in its international competitiveness. For example, the Taiwanese government states that the total assets of Bank of Taiwan, the largest bank in Taiwan, rank 125th in the world and that Taiwan's financial sector has not achieved an international level. Prospects looked bright for the amortization of bad loans, and the reforms this time were established with the goal of raising the international competitiveness of Taiwan's financial sector. The main activities of the reforms were to reorganize the current 12 state-owned banks through mergers and stock sales so that there were 6 state-owned banks at the end of 2005, to raise the market share of 3 financial institutions to more than 10 percent each, to reorganize 14 financial holding companies into 7 companies by the end of 2006, and moreover to allow at least one foreign-operated financial institution or to have a public stock offering overseas.

However, these reforms were halted by a setback in one of the plans. That was the plan to sell the state-owned stock of the Taiwan Business Bank. This bank had already completed its switch from a state-owned bank to a private bank through the sales of stock, but the government remained the largest shareholder. Because the bank's condition was poor, the government decided to sell its portion of stock in the bank and to shift the control to another financial institution. For this reason, on September 9 bidding was conducted on the state-owned stock, but in the end no financial institution met the bid price. Following the bidding, the Ministry of Finance negotiated directly with the financial institution that placed the largest bid, but on September 14 negotiations broke down and the plan ended in failure. Behind the failure of this plan is the fact that the government's asking price was high and the fact that labor unions entered a strike on September 8 to protect their employment and benefits.

Despite the failure of this plan, the government attempted to promote the second financial reform. In reaction, the Legislative Yuan responded negatively. Saying that the explanation of the Executive Yuan was inadequate, the Legislative Yuan's Financial Committee resolved on October 3, 2005, to halt the implementation of the second financial reform, and the Legislative Yuan itself resolved likewise on October 6.

This resolution had no legally binding force, but because in Taiwan the executive sector usually respected the decisions of the legislative sector, the government was bound *de facto* by the resolution to halt the reforms, and so the government implemented only the reforms that were not included in the financial reforms. Moreover, because the sale of stock and assets of state-owned banks was included in the second financial reform, the legislative action had the effect of preventing the stock sales that some of the state-owned banks had initially planned. Meanwhile, the government opposed the resolution to halt the financial reform and on October 8 placed a full-page advertisement in major newspaper in an attempt to justify the second financial reform.

Postponement of the Taiwan High Speed Rail

Taiwan High Speed Rail (THSR) conducted a test run three months behind schedule on January 27 between Tainan and Kaohsiung. On November 6, THSR conducted a 300 kilometer test run, carrying related government officials including Premier Hsieh, THSR Corporation personnel, shareholders, and media reporters.

As suggested by the delay in the test run, the construction was not proceeding smoothly. For this reason, on September 8 Nita Ing, CEO of THSR Corporation (THSRC), announced that the opening of the THSR would be delayed one year from the initially scheduled end of October. THSRC stated that the cause was due to the delay in machinery and electrical system work which was the centerpiece of high-speed train technology and which was subcontracted to a Japanese company. However, it was initially decided in 1997 to adopt the European high-speed train system for THSR and construction was begun, but at the end of 2000, a switch was made to the Japanese system. So, it is said that the construction delay was caused by the mixture of the European technology for the design and tests and Japanese technology for the high-speed train portion.

Moreover, the postponement of train service caused an increase in the project cost, from the initial approximately NT\$460 billion to NT\$480 billion, creating problems in fund procurement and capital increase.

Moreover, the fund procurement scheduled for the end of July did not meet expectations, and the plan to repay the loan with fare income was also put off for one year due to the postponement of train service. Fare income during this period is said to have been NT\$50 billion. For this reason, Premier Hsieh declared in an interview in *Asahi Shimbun* (September 7) that “if company management cannot make ends meet, according to the contract, we (i.e., the government) can purchase the company.” This declaration was not only for the purpose of sweeping away fears over deterioration of the THSRC’s fund position given the postponement, but it was also a declaration consciously made so that the THSRC could conduct fund procurement in the future.

The Executive Yuan established a THSR Contingency Team in the Executive Yuan on October 3 to strengthen risk management and supervision of THSR. At the same time, the government demanded that THSRC increase the number of directorships taken by the personnel of the state-operated company. This was a demand in response to the fact that the percentage of stock shares held by the government and government institutions had increased. THSRC held a board of directors meeting on November 15 and increased the number of directorships by three. These three directorships were allotted to candidates proposed by the government at the shareholders meeting held in January 2006.

After it decided on the postponement, THSRC issued special stock shares for the purpose of fund procurement, and these shares were purchased for NT\$7.5 billion by CTCI Foundation and Air Service Development Foundation. The number of shares in this special issue of stock exceeded the number of common stock. Because these foundations are government-related corporations, it can be said that the purchase of special stock by these foundations is in fact an investment by the government in THSRC.

(by Hiroshi Ikegami)

FOREIGN RELATIONS

Enactment of the Anti-Secession Law by China

The Anti-Secession Law bill was passed (on December 29, 2004) by the Standing Committee of the National People’s Congress (NPC). The target of the law was Taiwan, but the actual content of the law was not publicly disclosed. There were apprehensions in the Taiwanese government and US government that the legislation may be connected with the use of

force. China's Jia Qinglin, chairperson of the Chinese People's Political Consultative Conference, speaking at the 10-year commemorative ceremony (held on January 28) for Jiang Zemin's Eight Points on Taiwan (i.e., eight principles of Chinese policy on Taiwan stated by the previous president Jiang Zemin), stated that the purpose of the law is to prevent splitting of the country by the "Taiwan independence" faction and to promote peaceful integration. Moreover, Cheng Yunlin, the director of Taiwan Affairs Office of the State Council of China, visited the United States (during January 4–5), and Sun Yafu, deputy director of the same office, also visited Japan (on February 23). The visits were to seek the understanding of the respective countries, but the officials resisted disclosure of the content of the law.

On March 8, Wang Zhao Guo, vice chairperson of the Standing Committee of the NPC, finally disclosed the content of the law, which is composed of 11 articles. In addition to the promotion of China's understanding of the Taiwan problem and promotion of exchanges, the law included procedural rules for the exercise of force (referred to as "non-peaceful means" in the text) as had been feared. On March 14, following some wording revisions and integration of the text (10 articles in total), it was ratified by the NPC with the phrase "non-peaceful means" intact.

In Taiwan, through a ruling and opposition party consultation, on March 4 the Legislative Yuan carried a resolution opposing the enactment of the law. The TSU and DPP also held a protest demonstration against the enactment of the law in Kaohsiung on March 6. Following the passage of the law, President Chen expressed his regrets over the enactment of the law at a slightly delayed date, on March 16. On March 26, a protest demonstration against the law was held in Taipei, with the participation of several tens of thousands of people, including President Chen and Premier Hsieh. The opposition parties turned down the invitation of the ruling party and did not participate in the demonstration.

On March 14, US President Bush expressed his displeasure with the enactment of the law through the White House spokesman. US Secretary of State Rice also voiced her disapproval. Furthermore, on March 16 the US House of Representatives criticized the enactment of the law and carried a resolution by a large majority stating that the future of Taiwan should be determined peacefully based upon the will of the residents of Taiwan. The press secretary of China's Ministry of Foreign Affairs reacted by saying that this was "interference in China's internal affairs." Chinese President Hu Jintao also requested the cessation of criticism against the

law of US Secretary of State Rice when she visited China on March 20, but Secretary Rice refuted that it was China that had caused the tension.

The EU criticized the law, but initially it did not withdraw the removal of the ban on export of weapons to China, which was under consideration at the time. The leaders of the EU member countries also supported the removal of the ban. However, overtaken by the opposition of Japan and the United States, the EU was forced to postpone the lifting of the ban on exports of weapons to China.

Deaths of Koo Chen-fu, Chairperson of the Straits Exchange Foundation (Taiwan), and Wang Daohan, President of the Association for Relations across the Taiwan Strait (China)

Taiwan's Koo Chen-fu, chairperson of the Straits Exchange Foundation, and China's Wang Daohan, president of the Association for Relations across the Taiwan Strait, who conducted talks on Taiwan and China in 1993 and 1998, passed away. On January 3, Chairperson Koo passed away, and his memorial service was attended (on February 2) by Sun Yafu, vice president of the Association for Relations across the Taiwan Strait (concurrently serving as deputy director of Taiwan Affairs Office of the State Council of China), and Li Yafei, secretary-general of the same association. As the successor of Chairperson Koo, the appointment of James Soong, chairperson of the PFP, was mentioned, but on June 3, Chang Chun-hsiung, previous secretary-general of the DPP, was nominated. On December 24, China's Chairperson Wang passed away. Taiwan's new chairperson Chang wished to visit China to express his condolences, but he was refused. At Chairperson Wang's funeral on December 30, the only persons from Taiwan to participate were Wu Poh-hsiung, KMT vice chairperson, and members of opposition parties, including Chin Chin-sheng, secretary-general of the PFP.

"Retirement Declaration" of Hsu Wen-long and Departure of Businesspeople from the Ruling Party

On March 26, Hsu Wen-long, previous chairperson of the Chi Mei Group, published his "retirement declaration" in *Lianhebao*, a Taiwanese daily newspaper (favoring the opposition parties and China), stating that he does not support Taiwan independence and that he recognizes the principle of one China. However, Hsu was close to Lee, the former president, and was also a supporter of the DPP. In the presidential election of 2000,

he contributed to the election of President Chen, saying that “the successor of Lee Teng-hui is Chen Shui-bian.” Given such circumstances, the Chinese subsidiary of the Chi Mei Group was pressured at times by the Chinese authorities. The “retirement declaration,” in addition to including expressions peculiar to China, was issued on the day of the protest demonstration against the Anti-Secession Law, one year after Hsu’s retirement. For these reasons, it is surmised that the Chinese authorities prepared the declaration and pressured Hsu to publish it. On March 30, Stan Shih, chairperson of BenQ (formerly Acer chairperson) who had eagerly sought expansion of business in China, ended his term as national policy advisory to the president and stated that he did not seek reappointment.

Visit to China by Lien Chan and James Soong and Party-to-Party “Foreign Diplomacy”

Following the legislative elections the previous year, the closer relations between China and the KMT attracted attention. In the negotiations on charter flights during the Chinese New Year season in January, in addition to the negotiation team sent by the government, the KMT also sent to Beijing John Hsiao-yen Chiang with other members of the legislature. On March 28, Chiang Pin-kung, vice chairperson of the KMT, visited China and issued an agreement on 10 items (12 items according to China) with Jia Qinglin, chairperson of the Chinese People’s Political Consultative Conference, and it became clear (on March 30) that Lien Chan planned a visit to China. Because the agreement also referred to the signing of an investment agreement, it was pointed out that it may infringe upon government authority, but there was no legal follow-up. Instead, President Chen requested a meeting with Lien Chan to discuss his China visit. Lien Chan refused the meeting and spoke to the president only by telephone. There was public speculation that President Chen entrusted a personal letter from himself addressed to Hu Jintao, president of China, to James Soong, chairperson of the PFP, who had indicated his intention to follow others and visit China.

After Lien Chan went to China on April 26 and met with Hu Jintao, CPC general secretary, on April 29, they issued a declaration of agreement on five items. James Soong went to China on May 5 and met with Hu Jintao on May 12. Neither of them broached the issue of the Anti-Secession Law, and they supported opposition to Taiwan’s independence and the existence of the 1992 Consensus (it is said that they both share the “one China” principle, but the Taiwanese government denies this).

Moreover, Soong avoided referring to Taiwan as the “Republic of China,” and Hu Jintao also referred to himself by his CPC title. Furthermore, US President Bush curbed the movement of Taiwan’s opposition parties and the CPC by requesting (on May 5) Chinese President Hu Jintao to talk also with Taiwanese President Chen.

After the agreement with Lien Chan, Chen Yunlin, director of the Taiwan Affairs Office of the State Council of China, announced the gift of giant pandas and exemption of Taiwanese fruit from customs tax, etc. (on May 3). The Taiwanese government is seeking an export permit from the Chinese government for the giant pandas because giant pandas are subject to the Washington Convention (Convention on International Trade in Endangered Species of Wild Fauna and Flora) (not yet signed by Taiwan). However, the Chinese government regards Taiwan as a part of China and so insists that no permit is necessary. The exemption of fruit from customs tax is a violation of the WTO, but the WTO cannot file suit since there are no parties injured trade-wise in Taiwan. James Soong and Lien Chan visited China again in September and October, respectively, and local branches of the KMT and members of opposition parties also visited China.

Participation in WHO, Problem of Appointees to WTO Delegation, and the APEC Pusan Conference

In the agreements of Lien Chan and James Soong with Hu Jintao, there was the inclusion of agreement to cooperate with Taiwan’s participation in the World Health Organization (WHO). However on May 15, the WHO secretariat revealed the signing of a memorandum with China on WHO’s involvement with Taiwan. Taiwan had sought to participate in the WHO general assembly as a “health entity,” but this was rejected by WHO’s General Affairs Committee on May 16, overturning Taiwan’s expectations.

Taiwan was pressured by China even in the WTO where it was already a member. In March, in the newsletter distributed by the WTO secretariat to member countries, it came to light that the names of Taiwan’s appointees to its WTO delegation had been unilaterally deleted. It was also reported that Spachai Panitchpakdi, director-general of the WTO, continued to demand that Taiwan’s Permanent Mission change its name to Office of Permanent Representative, the same as Hong Kong.

On October 12, President Chen nominated Wang Jin-pyng, president of the Legislative Yuan, as acting president to the APEC Pusan

Conference. After China expressed its opposition to this nomination to the host country, South Korea, reconsideration of the personnel selection was sought. On November 8 just prior to the conference, it was decided to send Lin Hsin-I, senior advisor to the president, as the representative of President Chen.

Stalemate over Purchase of US-made Weapons

The Executive Yuan set the minimum budget for the purchase of weapons from the United States at NT\$480 billion on March 16, and the cabinet decided on a special budget bill (with the issue of government bonds) with an upper limit of NT\$640 billion. However, the KMT and the PFP agreed to oppose the special budget package and to demand a reduction to NT\$300 billion, and they continued to refuse to put the Executive Yuan's budget bill on the agenda in the Legislative Yuan's Steering Committee. In August the Executive Yuan incorporated the Patriot (PAC-3) anti-theater ballistic missile system in the regular budget and presented a special budget reduced to NT\$340 billion, but the opposition parties did not agree to it. It was said that President Chen would study incorporating that budget into the regular budget, but no conclusion has yet been reached. On May 24, the US Department of Defense warned Taiwan that it "firmly supports security cooperation and weapons provision based on the Taiwan Relation Act" which provides for cooperation with Taiwan's self defense, and on September 19, the US Department of Defense issued a stern warning that "if Taiwan neglects its self defense, there is nothing that the United States can do to cooperate."

Relations with Japan

On February 19, the US-Japan Security Consultative Committee released a joint statement in which it was stated that "peaceful resolution of the Taiwan Straits problem is encouraged" as a "shared strategic objective." The Taiwanese government was pleased that the United States and Japan had shown interest in Taiwan given the tensions as the enactment of China's Anti-Secession Law approached. On February 20, Premier Hsieh said that he welcomed the joint statement, and on February 22, Lee Jye, minister of national defense, stated that he desired military connections with Japan.

From May through July, there were consecutive seizures of Taiwanese fishing boats in the Japan's EEZ (exclusive economic zone) near the Senkaku (Diaoyutai) Islands, and cases were seen where there were con-

frontations between Japan's Coast Guard and Taiwan's Coast Guard. Taiwan's opposition parties regarded it as a territorial issue and urged a strong stance toward Japan. The ruling party had Wang Jin-pyng, president of the Legislative Yuan who was running as a candidate in the KMT chairperson election, ride on a battleship to win the approval of the weapons purchase budget, and when discussion was held at the 15th Japan-Taiwan Fishing Talks (on July 29), the territorial issue was avoided.

During the Expo 2005 Aichi in Japan (March 25 to September 25), it was possible for Taiwanese residents to enter Japan without a visa (not including those with a "Republic of China" passport but no family register in Taiwan). Of the foreign visitors at the expo, Taiwanese were the most numerous, accounting for 18.8 percent. Moreover, a bill to permanently allow visa-less entry was passed by the Lower House of the Diet on August 3 and by the Upper House on August 5, and was thus approved as law. The number of Japanese people traveling to Taiwan also set a record, with annual visitors reaching one million on November 21 for the first time. An event was held that day, and the one millionth Japanese visitor was presented with a commemorative gift by Premier Hsieh. On December 1, the passport validity required for Japanese people to enter Taiwan without a visa was reduced from six months to three months.

Establishment and Discontinuation of Diplomatic Relations

On January 20, Grenada, a country in Central America, established relations with China. Because there was no prospect for the continuation of relations between Taiwan and Grenada, Taiwan broke off relations on January 27. Grenada had received reconstruction assistance from China following hurricane damage the previous year.

On May 14, Ludwig Scotty, president of the Republic of Nauru, an island country in the Pacific Ocean, visited Taiwan and restarted diplomatic relations with Taiwan. Prior to that in July 2002, Rene Harris, then president of Nauru, had established relations with China and broken off relations with Taiwan.

On October 25, the Republic of Senegal established diplomatic relations with China, and Taiwan cut off relations with that country on the same day. The press secretary of the Ministry of Foreign Affairs revealed that Abdoulaye Wade, president of Senegal, has stated in a letter sent to President Chen the previous day that "there exists no friendship between our countries; there exists only profit." Moreover, because the rupture of relations occurred on the same day as the event commemorating the 60th

anniversary of Taiwan's retrocession to China, it was regarded as an intentional affront by China to President Chen.

Relationship with the Vatican

President Chen visited the Vatican for the first time as the president of Taiwan in order to attend the funeral of Pope John Paul II on April 8. The Vatican is the only country in Europe that recognizes Taiwan as the "Republic of China." Because the Vatican has no airport, it was necessary to travel through Italy. Until then, the Italian government has not permitted the entry of the president of Taiwan. This time as well, the Chinese government placed pressure on the Italian government in an attempt to prevent the visit, but it was unsuccessful. Su Jia-chyuan, minister of the interior, and others also attended the installation of new pope, Benedict XVI, on April 24.

China called for the Vatican to cut off relations with Taiwan and establish relations with China. However, the Vatican criticized the suppression of religion and the regulation of Catholic organizations within China. China was also cautious that the Vatican might influence Catholics in China. For those reasons, there has been no progress in the improvement of relations between the two countries. However, the previous pope, John Paul II, hoped for an improvement in relations with China, on the condition that China improves its treatment of Catholics. The Vatican continues to prepare a seat for China's bishop at important events.

Joseph Cardinal Zen Ze-kiun, head of the Catholic Diocese of Hong Kong, made a statement (on April 2) that the Vatican is considering breaking off relations with Taiwan. Moreover, Angelo Cardinal Sodano, the Vatican's secretary of state who is in charge of diplomatic relations, emphasized (on October 25) that the Vatican only demands freedom of belief and fair treatment for Catholics in China, that Taiwan is no obstacle, and that "if there is contact from China, we won't wait a day but will send our envoy who is in Taiwan to Beijing tonight." In Taiwan, Mark Tan-Sun Chen, minister of foreign affairs, expressed his view (on October 24) in the Legislative Yuan concerning the imperilment of Taiwan's relationship with the Vatican.

(by Takayuki Takeuchi)

ISSUES IN 2006

On January 15, 2006, the DPP chairperson election was held, and it was won by Yu Shyi-kun, who was recommended by President Chen, former chairperson Su Tseng-chang, and the “New Trend” faction. Premier Hsieh had recommended Chai Trong-Rong, a legislator, and this caused obvious discord between him and President Chen. Lin Yi-Hsiung, former party chairperson who recommended Wong Chin-chu (former county magistrate of Changhua County), said “I’ve worn out my welcome in the DPP” and left the party. On January 19, in a break with the usual custom, President Chen announced his intention to appoint Su Tseng-Chang, former DPP chairperson, as president of the Executive Yuan, prior to the general resignation of the Hsieh cabinet (on January 23).

Just prior to the Chinese New Year, five legislators who insisted on a coalition with KMT left the PFP. The KMT appeared to be in satisfactory condition, but it faced the problems of party asset disposal and reduction of party staff. Moreover, with a shift (on January 1) in the economic relationship with China from a policy of “proactive liberalization with effective management” to a policy of “proactive management with effective liberalization,” President Chen mentioned study of discontinuance of the National Unification Council and the Guidelines for National Unification (on January 29). The new KMT Chairperson Ma Ying-jeou expressed objections over the latter in particular, but henceforth the ruling party and the mainlanders will probably criticize his strong Chinese identity and his view of history.

In the Legislative Yuan, the offense and defense of the ruling and opposition parties is likely to continue over the budget for weapons purchases from the United States and approval of personnel selections for the Examination Yuan. Municipal mayoral elections and county council elections are scheduled to be held in Taipei and Kaohsiung City in December. KMT Chairperson Ma Ying-jeou is already in his second term as mayor of Taipei and so cannot run again. Attention is likely to be paid to who will be fielded as candidates by both the ruling and the opposition parties.

Regarding Taiwan’s relationship with Japan, Japan’s Minister of Land Infrastructure and Transport Kitagawa stated on January 15 that he was studying the possibility of approving Taiwan’s international drivers’ licenses. On January 19, Taiwan’s Ministry of Foreign Affairs announced that it would issue multiple visas (starting from February 1) valid for six months to Japanese retirees.

Meanwhile in the economy, based on the belief that economic growth will remain firm in 2006, the Executive Yuan's Accounting Office predicts economic growth of 4.25 percent. On February 21, Su Tseng-Chang, new premier, stated in his first administrative report to the Legislative Yuan that the country aims for economic growth of 4.5 percent or above, an unemployment rate under 4 percent, and price inflation of less than 2 percent. Moreover at the end of October, the THSR is scheduled to being service. Following its launch, repayment of the loan will begin, and the focus is likely to be on whether or not it can make repayments on schedule, and if not, what steps the government will take. At the same time, attention will also be on the effects of THSR service on the transportation industry overall.

IMPORTANT DATES IN 2005

January

- 3: Koo Chen-fu, Chairperson of the Straits Exchange Foundation, passed away.
- Lee Teng-hui, former Taiwanese president, returned from Japan.
- 4: Ma Ying-jeou, mayor of Taipei, canceled his visit to Hong Kong (scheduled for January 11–13) because the Hong Kong government refused to issue him a visa.
- 10: The major automaker Yulon Motor and the General Motors announced the establishment of a joint venture.
- 11: Shu Chin-chiang appointed as chairperson of the Taiwan Solidarity Union.
- 15: Taiwan and China negotiated in Macau concerning direct charter flights between China and Taiwan during the Chinese New Year season. Agreement was reached to implement the flights.
- 17–24: Lee Yuan-tseh, president of Academia Sinica, and Joseph Wu, minister of the Mainland Affairs Council, visited the United States to attend the inauguration of US President Bush.
- 24: Cabinet resigned en masse, including Premier Yu Shyi-kun.
- 25: President Chen Shui-bian announced the appointment of Frank Hsieh, mayor of Kaohsiung City, as premier.
- 27: Ministry of Foreign Affairs cut off diplomatic relations with Grenada.
- First test-run of Taiwan's high-speed train, THSR.
- 27–31: President Chen visited Republic of Palau and Solomon Islands.
- 28: China held event to commemorate the 10th anniversary of Jiang Zemin's Eight Points on Taiwan.
- 29: Charter service began between China and Taiwan during the Chinese New Year season.
- 30: In the DPP chairperson election, Su Tseng-chang, secretary-general to the president, was elected.

February

- 1: Sixth session of the Legislative Yuan began. Wang Jin-pyng (KMT, reelected) and Chung Jung-chi (FPF) were elected as president and vice president, respectively, of the Legislative Yuan.
- Seats Control Yuan were not filled, including those of the president and vice president.
- Frank Hsieh assumed office as Premier. Chen Chi-mai, minister without portfolio, held dual office as acting mayor of Kaohsiung City.
- Former Premier Yu Shyi-kun assumed office as secretary-general to the president.
- 2: Sun Yafu, (China) vice chairperson of the Association for Relations across the Taiwan Strait and Li Yafei, secretary-general of the same association,

- unofficially attended the memorial service for Koo Chen-fu, chairperson of the Straits Exchange Foundation.
- 9: A bill to permit Taiwanese to visit Japan during the Expo 2005 Aichi, Japan, with no visa passed Japan's Lower House.
 - 15: Su Tseng-chang assumed office as DPP Chairperson
 - Semiconductor manufacturer United Microelectronics Corporation (UMC) was subject to a house search due to suspicion of illegal investment and technology transfer to China's Hejian Technology (Suzhou) Corporation.
 - 16: President Chen and Minister of the Mainland Affairs Council Wu again expressed their intention to promote charter flights between Taiwan and China.
 - 18: Wu Rong-I assumed office as vice premier.
 - 20–27: Mark Tan-Sun Chen, minister of foreign affairs, visited Haiti and the Dominican Republic via the United States.
 - 22: Sun Yafu (China), deputy director of the Taiwan Affairs Office of the State Council of China, visited Japan, met with Minister of Foreign Affairs Machimura (on February 23), and sought understanding of the Anti-Secession Law.
 - 24: President Chen and James Soong, chairperson of the PFP, met and agreed on 10 points, including national sovereignty and policy toward China.
 - 25: The Taiwan Affairs Office of the State Council of China suggested expansion of days when charter flights are permitted (outside of the Chinese New Year season) to include other national holidays and highly regarded President Chen's desire for cargo charter flights.

March

- 1–5: Lin Chia-lung, minister of the government information office, visited Japan.
- 1: Intention to resign declared by Koo Kwang-ming, senior advisor to the president, and others.
- 2: KMT's Central Steering Committee decided to reduce party staff by 1,100 persons.
 - It was learned that, due to patent infringement, Sharp Corporation halted import and sales of liquid crystal televisions made by TECO and sued for damages in the Tokyo District Court.
- 6: TSU and DPP held a protest demonstration against China's Anti-Secession Law in Kaohsiung.
- 7: Criminal Investigation Bureau of the Ministry of Justice announced that it had identified the suspect in the March 19, 2004, shooting incident involving the president and vice president.
- 8: China disclosed the draft of the Anti-Secession Law.
- 12–24: Lu Hsiu-lien, vice president, visited El Salvador and Guatemala, stopping

- by the United State en route.
- 14: China approved the Anti-Secession Law.
- 16: The US House of Representatives passed a resolution criticizing the Anti-Secession Law.
- 19: KMT held a street demonstration demanding an investigation of the truth in the March 19, 2004, shooting incident.
- 25: The Central Bank raised the prime rate to 1.875 percent.
- 26: One million people, including President Chen and the previous president Lee Teng-hui, participated in a protest demonstration in Taipei against the establishment of the Anti-Secession Law.
- Hsu Wen-long, previous chairperson of the Chi Mei Group, published a retirement declaration in which he recognized the “One China” principle.
- 28–April 1: Chiang Pin-kung, vice chairperson of the KMT, visited China and met with Jia Qinglin, chairperson of the Chinese People’s Political Consultative Conference (on March 31).
- 28–April 4: Lien Chan, KMT honorary chairperson, visited Japan.
- 30: Stan Shih, former Acer chairperson, stated that he did not seek reappointment as national policy advisor to the president.

April

- 2–5: Shu Chin-chiang, chairperson of the TSU, visited Japan and visited Yasukuni Shrine (on April 4).
- 4: Joseph Cardinal Zen Ze-kiun, head of the Catholic Diocese of Hong Kong, stated that the Vatican is considering breaking off relations with Taiwan.
- 7: President Chen made his first trip as president of Taiwan to the Vatican and attended the funeral of Pope John Paul II (on April 8).
- 10: The Mainland Affairs Council announced that it cancelled the permits of the Xinhua News Agency and the People’s Daily to have staff and offices in Taiwan.
- 12: The Japanese subsidiary of TECO countersued Sharp Corporation on patent infringement of liquid crystal display televisions.
- 23: Mitsui Sumitomo Insurance Co., Ltd. announced its purchase of the second largest insurance company in Taiwan, Mingtai Fire & Marine Insurance Co., Ltd.
- 24: Ban on import of US beef was lifted.
- 24–26: Su Jia-chyuan, minister of the interior, and others also attended the installation of Pope Benedict XVI on April 24.
- 25: President Chen and Lien Chan, KMT honorary chairperson, conferred by telephone.
- 26–May 3: Lien Chan, KMT honorary chairperson, visited China and met with Hu Jintao, CPC General Secretary (on April 29).

May

- 1–5: President Chen visited the Marshall Islands, Kiribati, and Tuvalu.
- 3: China's Chen Yunlin, director of Taiwan Affairs Office of the State Council of China, announced the presentation of male and female giant pandas to Taiwan, the lifting of the ban on travel by Chinese people to Taiwan, and exemption of 10 kinds of Taiwanese fruit from customs tax.
- 4: Due to China's protest, the Taiwan delegation's invitation to the WHO meeting on the Indian Ocean tsunami was cancelled.
- Perng Fai-nan, governor of the Central Bank of China, proposed the establishment of a mechanism for exchange rate coordination at the general meeting of the ADB.
- 5–13: PFP Chairperson Soong visited China and met with Hu Jintao, CPC General Secretary (on May 12).
- US President Bush requests Hu Jintao, president of China, to talk with President Chen.
- 14: Day of National Assembly representative election. Factions in favor of constitutional reform, including the DPP and KMT, formed a majority.
- Ludwig Scotty, president of the Republic of Nauru, visited and reinitiated diplomatic relations with Taiwan.
- 15: LEE Jong-wook, secretary-general of WHO, revealed the signing of a memorandum with China on the issue of Taiwan's participation in WHO.
- 16: The General Affairs Committee of the WHO General Assembly decided not to consider Taiwan's request to participate as an observer.
- 18: One person in Taichung died of drinking a poisoned beverage and two were in serious condition (perpetrator arrested on May 26).
- A fishing boat registered in Okinawa (with home port in Pingtung County, Taiwan) was seized in Japan's exclusive economic zone.
- 20: China National Tourism Administration requested talks on lifting the ban on tourism by mainlanders to Taiwan. Premier Hsieh welcomed the request and expressed an intention to accept it.
- 21: The Legislative Yuan approved the law governing the National Assembly's exercise of power.
- 25: The Agricultural Committee strengthened its quarantine inspections after an outbreak of foot-and-mouth disease in China.
- 26: The Agricultural Bank of Taiwan began operation.
- A fishing boat registered in Taiwan was seized in Japan's exclusive economic zone.
- 27: President Chen publicly proclaimed the law governing the National Assembly's exercise of power. The DPP legislators requested an interpretation by the Judicial Yuan's Grand Justices Council.
- 30: The National Assembly held a swearing-in ceremony for its representatives.
- The Indian Ocean Tuna Committee (IOTC) decided to issue sanctions (i.e., a large reduction in the permitted quota) against Taiwan.

June

- 1: The limit on withdrawals from ATMs was set at NT\$30,000 in principle.
- 3: Chang Chun-hsiung was appointed as chairperson of the Straits Exchange Foundation.
- 5: It was reported that the Chung-shan Institute of Science and Technology in the Ministry of Defense succeeded in a test launch of the anti-ship Hsiung Feng missile in March.
- 7: The National Assembly approved the constitutional revision bill.
- It was announced that the German company Siemens would sell its cellular phone business to Taiwan's largest company, BenQ.
- 8: Mike Wang, Taipei City councilor (PFP), announced that he had fabricated the incident involving the selling of votive offerings in funeral parlors on the black market.
- 9: Taiwanese fishing boats gathered to protest the Japanese crackdown on their operations in waters around the Senkaku (Diaoyutai) Islands.
- 14: May Chin (Kao Chin Su-mei), legislator, held a gathering at Yasukuni Shrine.
- 15: Taiwanese papayas were exported to Japan, the first following the rupture of diplomatic relations.
- 16: The crew of the fishing boat seized on May 26 was released (and returned home on June 23). It was decided to return the fishing boat as well.
- 17: The Supreme Court issued a judgment against the opposition parties in their lawsuit to invalidate the election of Chen and Lu as president and vice president in the presidential elections.
- The Grand Justices Council rejected the request for a constitutional interpretation of the law governing the National Assembly's exercise of power.
- 19: The captain and crew of the fishing boat seized on May 18 returned home.
- Minister of Foreign Affairs Chen visited the United States.
- 21: Wang Jin-pyng, president of the Legislative Yuan, and Lee Jye, Minister of National Defense, made an inspection by battleship of Japan's exclusive economic zone surrounding the Senkaku (Diaoyutai) Islands.
- 25: Ban replaced on imports of US beef.
- 27–29: Vice President Lu visited Palau.
- Chinese tour groups were allowed to travel to Matsu Islands for the first time.
- 28: Tsai Mao-Feng, former director of the Taiwan Japanese Language Education Society, received The Order of the Rising Sun, Gold Rays with Neck Ribbon, from the Japanese government.
- 29: The Executive Yuan approved the revised draft of the Referendum Law.
- It is reported that names of officials in Taiwan's WTO delegation were deleted by the WTO secretariat.

July

- 1: Su Tseng-chang, DPP chairperson, visited the United States.
- The Central Bank raised the prime rate to 2 percent.
- 4: Liberty Times reported that the Canadian parliament had postponed consideration of the Taiwan Affairs Act in June due to Chinese pressure.
- 7–13: Minister of Foreign Affairs Chen visited Burkina Faso and Chad.
- The EU Assembly criticized the Anti-Secession Law and adopted a resolution to support Taiwan's participation in the WHO General Assembly.
- 10: US Secretary of State Rice requested China to hold direct talks with the Taiwanese government.
- 16: Ma Ying-jeou, mayor of Taipei City, won the KMT chairperson election.
- 20: The US House of Representatives approved the revised articles of the Department of State Authorization Act to permit Taiwan's president, vice president, and Cabinet to visit the United States.
- The Central Bank issued new NT\$500 and NT\$1,000 banknotes.
- 22: President Chen met with Kim Jong-hoon, special envoy from South Korea. President Chen wished for Taiwan to attend the Pusan APEC unofficial summit meeting.
- 28: President Chen inspected the Coast Guards' Offshore Flotilla 5 in Dongsha (Pratas Islands) squad.
- 29: Fifteenth Japan-Taiwan Fishing Conference held.
- 31: The Executive Yuan's Government Information Office announced the results of reviews for renewal of satellite broadcast licenses. Of 62 licenses, 7 were not renewed.

August

- 1: China exempted 15 kinds of Taiwanese fruit from customs tax.
- 2: Compromise settlement in FTA negotiations with Guatemala.
- Premier Hsieh declared acceptance of passage by Taiwanese aircraft through Chinese air space at talks on direct cargo and passenger charter flights between Taiwan and China.
- 5: Japan's Upper House passed and put into effect a special bill that permanently exempts Taiwanese people from visa requirements. (The bill was approved by the Lower House on August 3.)
- 10: President Chen observed the Coast Guards' North Coast Patrol Office on Pengjia Islet. While insisting on Taiwan's territorial rights to the Senkaku (Diaoyutai) Islands, he indicated that this matter should be settled separately from the strife over fishing rights between Japan and Taiwan.
- 16: A KMT delegation visited China on pretext of talks on direct charter flights.
- 17: The Supreme Prosecutors Office released its investigation report into the March 19, 2004, shooting incident involving the president and vice president.

- 21: A riot occurred, caused by Thai workers engaged in construction of the Kaohsiung MRT (subway).
- 24: The Chinese government announced favorable measures for Taiwanese students. (School fees will be the same as for Chinese students and scholarships will be established.)

September

- 1: President Chen expressed a wish to sign an FTA with South Korea.
- Shanghai Taiwanese Children School was opened (the third Taiwanese school in China).
- 2: Civil Aviation Administration of China permitted four Taiwanese airline companies to pass through Chinese air space (starting from the night of September 4).
- 5: Yu Shyi-kun, secretary-general to the President, visited Japan to attend the Japan-Taiwan Forum.
- 8: THSR postponed the start of service to October 2006.
- It was decided to hold the Asian Network of Major Cities 21 Conference in Taipei in the spring of 2006.
- 13: Premier Hsieh accepted the resignation of Chen Chu, minister of the Council of Labor Affairs, Executive Yuan, and Chen Chi-mai, acting mayor of Kaohsiung City. They were succeeded by Lee Ying-yuan, secretary-general to the Executive Yuan, and Yeh Chu-lan, senior advisor to the President.
- 14: James Soong, chairperson of the PFP, visited China.
- 16: The Supreme Court rejected an appeal by the opposition parties asserting the invalidity of the presidential elections, thus confirming the validity of those elections.
- The Central Bank raised the prime rate to 2.125 percent.
- 20–October 2: President Chen visited Central and South America. En route, he met in Alaska with the governor of Alaska and met in Miami with the former vice secretary of state, Richard Armitage (on September 21). He passed in transit through the United Arab Emirates (on September 30) and landed in Bali, Indonesia, on October 2 due to a typhoon.
- 22: President Chen signed an FTA with Guatemala.

October

- 3: Shin Kong Financial Holding Company acquired 100 percent of Macoto Bank.
- The Legislative Yuan resolved to completely halt the second financial reform.
- Monetary exchange of the renminbi (the Chinese yuan) began in Kinmen and the Matsu Islands.

- 5: The limit on the amount of renminbi carried in or out was raised to 20,000 renminbi.
- 11–24: Lee Teng-hui, previous president of Taiwan, visited the United States.
- 12: The Office of the President announced that Wang Jin-pyng, president of the Legislative Yuan, would be sent to the Pusan APEC summit meeting.
- 14: Lien Chan, KMT honorary chairperson, visited China.
- James Soong, chairperson of the PFP, visited China.
- 15: The Asian-Pacific Bureau of the Ministry of Foreign Affairs established an Association of East Asian Relations and a Committee on Japanese Affairs to unify its business with Japan.
- 20: South Korea's Ministry of Foreign Affairs and Trade requested Taiwan to reconsider its choice of personnel to attend the APEC summit meeting.
- 25: The Ministry of Foreign Affairs announced the break of diplomatic relations with Senegal.
- China held an event to commemorate the 60th anniversary of Taiwan's Retrocession to China.
- Angelo Cardinal Sodano, the Vatican's Secretary of State, mentioned breaking off relations with Taiwan.
- Tokyo District Court issued a judgment ordering the Japanese government to pay compensation to Taiwanese persons with Hansen's disease.
- 26: The Legislative Yuan approved the National Communications Commission (NCC) Organization Act.
- 28: Shao Qiwei, director of China National Tourism Administration, visited under the title of Chairperson of the China Tourism Association.
- 29: THSR successfully completed a test run at 300 km/hour.

November

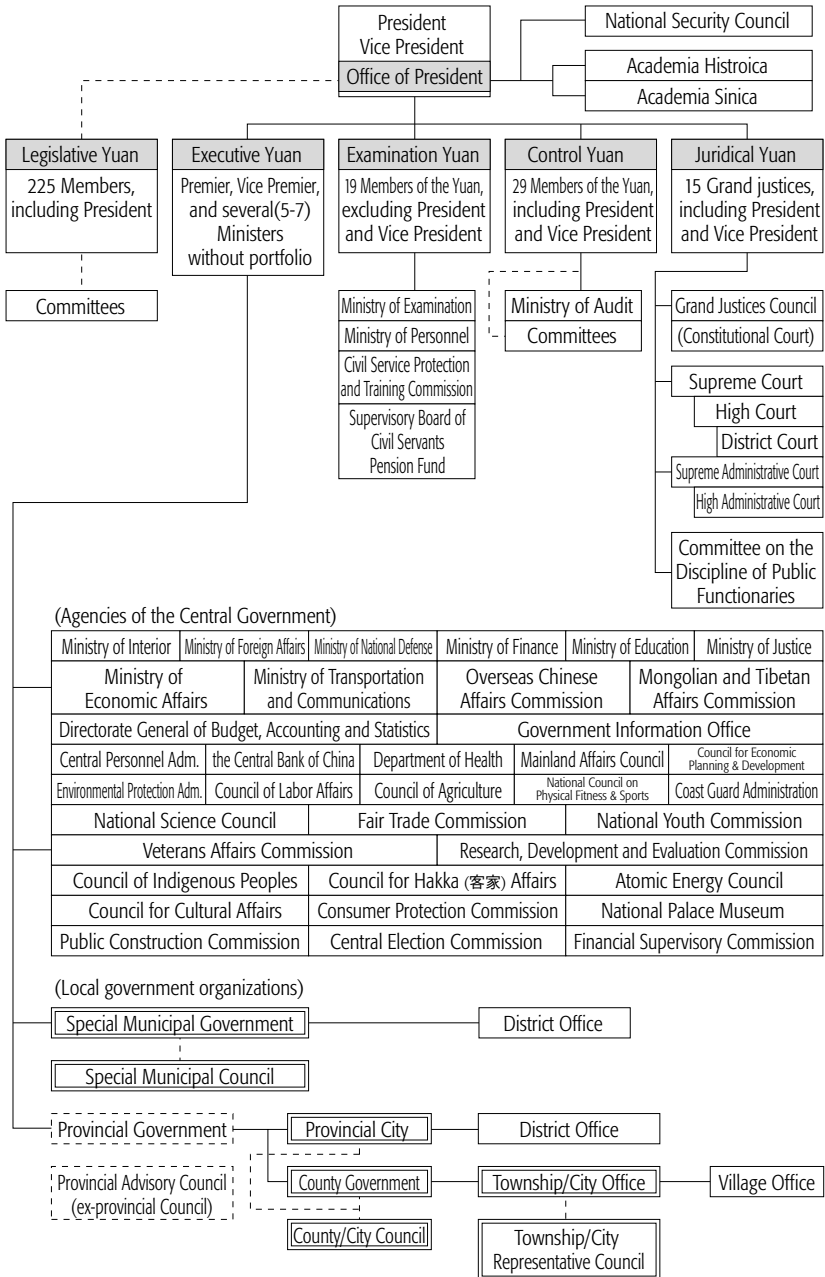
- 1: President Chen agreed to hold a preparatory meeting for the second National Economic Development Advisory Conference following local elections.
- 8: The Executive Yuan's Government Information Office acknowledged foreign investment in TVBS (cable TV channel) and issued an order for it to make improvements and pay a fine.
- 18–19: Lin Hsin-I, senior advisor to the president, attended the 13th APEC summit meeting (in Pusan, South Korea).
- The Mainland Affairs Council announced the implementation of charter flight service between Taiwan and China during the Chinese New Year season next year. A new flight location, Xiamen (Amoi) was added to the Chinese side, and limitations on passengers (formerly limited to persons connected with mainland companies) were abolished.
- The Ministry of the Interior did not permit the visit of 61 persons including Cheng Yunlin, the director of Taiwan Affairs Office of the State Council of China.

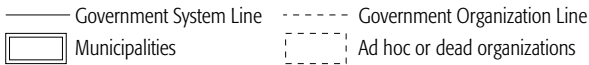
- 21: The number of annual visitors from Japan topped one million.
- 26: The Ministry of Economic Affairs' Intellectual Property Office permitted unapproved usage of the Tamiflu patent by the Executive Yuan's Department of Health (until the end of the year).

December

- 1: Based on the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal, an agreement was signed with Japan.
- 3: Day of the unified local elections. Su Tseng-chang, DPP chairperson, resigned to take responsibility for the party's defeat in county magistrate and provincial municipal mayoral elections.
- Sinkhole accidents occurred in the construction of the Kaohsiung MRT.
- 7: The DPP Central Steering Committee elected Vice President Lu as acting chairperson of the DPP.
- 8: Two (Keelung and Su Ao) of the four Kidd-class destroyers purchased from the United States entered the port of Su Ao.
- 9: A Japanese consortium won the bid for construction of the airport MRT.
- 11: Thirteen persons were recommended as NCC committee members.
- 12: Ma Ying-jeou, KMT chairperson, and James Soong, chairperson of the PFP, conferred together.
- 19: Yu Shyi-kun, secretary-general to the president, resigned.
- 20: Deadline to register candidacy for DPP chairperson election. Yu Shyi-kun, previous secretary-general to the president, and two others registered.
- 21: Complete renewal of personal identification cards begun.
- 22: The Central Bank raised the prime rate to 2.25 percent.
- 24: Wang Daohan, chairperson of the Association for Relations across the Taiwan Strait, passed away.

APPENDIX 7.1: ORGANIZATION CHART OF TAIWAN'S (ROC) GOVERNMENT





Sources: Research, Development and Evaluation Commission, Executive Yuan ed., *The Republic of China Government Organization and Functions, 2003* and others.

Note: National Assembly was abolished by the constitutional amendment in June 2006.

APPENDIX 7.2: LEADERS OF NATIONAL ORGANIZATIONS (as of the end of 2005)

PRESIDENT

CHEN Shui-bian

VICE PRESIDENT

LU Hsiu-lien

Acting Secretary-General to the President

MA Yung-cheng† (Former Secretary-General, YU Shyi-kun resigned on December 16, 2005)

National Security Council Secretary-General

CHIOU I-jen

President of the Academia Sinica

LEE Yuan-tseh

President of the Academia Historica

CHANG Yen-hsien

LEGISLATIVE YUAN

President (Speaker): WANG Jin-pyng

Vice President: CHUNG Jung-chi,

(225 Members, including President and Vice President)

JURIDICAL YUAN

President (Chief Justice): WENG Yueh-sheng

Vice President: CHENG Chung-mo,

(15 Grand justices, Including President and Vice President)

CONTROL YUAN (29 Members, including President and Vice President, have been absent since February 1, 2005)

EXAMINATION YUAN

President: YAO Chia-wen

Vice President: WU Rong-ming

(19 Members, excluding President and Vice President)

EXECUTIVE YUAN (Cabinet)

President (Premier): Frank Chang-ting HSIEH

Vice President: WU Rong-i

Ministers without Portfolio: HU Sheng-cheng, LIN Sheng-feng, KUO

Yao-chi,* LIN Ferng-chin, FU Li-yeh,* LEE Ying-yuan

Minister of the Interior: SU Jia-chyuan

Minister of Foreign Affairs: Mark Tan-Sun CHEN

Minister of National Defense: LEE Jye †

Minister of Finance: LIN Chuan †

Minister of Education: TU Cheng-sheng

Minister of Justice: Morley SHIH Mo-lin

Minister of Economic Affairs: HO Mei-yueh *

Minister of Transportation and Communications: LIN Ling-san

Minister, Mongolian and Tibetan Affairs Commission: HSU Chih-hsiung

Minister, Overseas Compatriot Affairs Commission: CHANG Fu-mei *

Secretary-General: CHOU Jung-tai

Vice Secretary-General: LIU Yu-shan

Governor, Central Bank of China: PERNG Fai-nan

Minister, Directorate General of Budget, Accounting and Statistics:

HSU Jan-yau

Minister, Central Personnel Administration: CHOU Hung-hsien

Minister, Government Information Office: Pasuya YAO

Minister, Department of Health: HOU Sheng-mou

Minister, Environmental Protection Administration: CHANG Kow-lung

(Director, National Palace Museum: SHIH Shou-chien)

Minister, Mainland Affairs Council: Jaushieh Joseph WU

Minister, Council for Economic Planning and Development: HU Sheng-cheng (concurrently serving)

Minister, Veterans Affairs Commission: KAO Hua-chu †

Minister, National Youth Commission: CHENG Li-chiun *

Minister, Atomic Energy Council: OUYANG Min-shen

Minister, National Science Council: WU Maw-kuen

Minister, Research, Development and Evaluation Commission: YEH Jiunn-rong

Minister, Council of Agriculture: LEE Chin-Lung

Minister, Council for Cultural Affairs: CHEN Chi-nan

Minister, Council of Labor Affairs: LEE Ying-yuan (concurrently serving)

Chairperson, Fair Trade Commission: HWANG Tzong-leh

Minister, Public Construction Commission: KUO Yao-chi (concurrently serving)*

Minister, National Council on Physical Fitness and Sports: CHEN Chuan-show

Minister, Council of Indigenous Peoples: Walis PELIN

Minister, Coast Guard Administration: SYU Huei-you

(Minister, Consumer Protection Commission: Wu Rong-I (concurrently serving)*)

Acting Minister, Council for Hakka Affairs: LEE Yung-the

Chairperson, Central Election Commission: CHANG Cheng-hsiung

(Chairperson, Coordination Council for North American Affairs: LIN Fang-mei *)

Minister, Financial Supervisory Commission: KONG Jaw-sheng

Notes: 1. * means female; † means external-province natives.

2. Underlines mean the ministers who have voting right in the cabinet meeting (Executive Yuan Council).

3. The posts in round bracket are not allowed to join the cabinet meeting.

4. Mayors of Taipei and Kaohsiung City are allowed to join the cabinet meeting.

APPENDIX 7.3: LEADING FIGURES IN MAJOR POLITICAL PARTIES (as of the end of 2005)

DEMOCRATIC PROGRESSIVE PARTY

Acting Chairperson: LU Hsiu-lien* (Chairman, SU Tseng-chang resigned on December 3, 2005.)

Secretary-General: LEE Yi-yang

TAIWAN SOLIDARITY UNION

Chairman: SHU Chin-chiang

Secretary-General: CHENG Cheng-lung

CHINESE NATIONALIST PARTY (KMT)

Chairman: MA Ying-jeou †

Honorary Chairman: LIEN Chan

Vice Chairman: WU Po-hsiung, LIN Cheng-chi, CHIANG Pin-kun, John Chong KUAN

Secretary-General: CHAN Chuen-pao

PEOPLE FIRST PARTY

Chairman: James Chu-yu SOONG †

Vice Chairman: CHANG Chao-hsiung

Secretary-General: CHIN Chin-sheng †

Note: * means female. † means external-province natives.

APPENDIX 7.4: STATES WITH DIPLOMATIC RELATIONS WITH TAIWAN (as of the end of 2005)

<i>State</i>	<i>Date</i>	<i>Affair</i>
Oceania (6 states and 2 states recognizing Taiwan):		
Tuvalu	1979.9.19	Establish official relation
Solomon Islands	1983.3.24	Establish consulates mutually
Republic of the Marshall Islands	1998.11.20	Establish official relation
Republic of Palau	1999.12.29	Establish official relation
Republic of Kiribati	2003.11.7	Establish official relation
Republic of Nauru	2002.7.23	Break official relation
	2005.5.14	Establish official relation
Papua New Guinea	1995.9.24	Recognize Taiwan
Republic of Fiji	1996.10.4	Recognize Taiwan
Europe (1 state):		
State of the City of Vatican	1942.7	Establish official relation
	1972	Last ambassador left
Africa (6 states):		
Republic of Malawi	1964.7.12	Establish official relation
Kingdom of Swaziland	1968.9.6	Establish official relation
Burkina Faso	1994.2.2	Establish official relation
Republic of The Gambia	1974.12.28	Break official relation
	1995.7.13	Establish official relation
Democratic Republic of Sao Tome and Principe	1997.5.6	Establish official relation
Republic of Chad	1997.8.12	Establish official relation
Latin America (12 states):		
Republic of Costa Rica	1941	Establish official relation
Republic of Panama	1952	Establish official relation
Republic of Guatemala	1954	Establish official relation
Republic of Haiti	1957	Establish official relation
Republic of El Salvador	1957	Establish official relation
Republic of Paraguay	1957.7.8	Establish official relation
Republic of Honduras	1957	Establish official relation
Saint Vincent and the Grenadines	1981.8.15	Establish official relation
Dominican Republic	1983.5.10	Establish official relation
Saint Christopher and Nevis	1983.10.9	Establish official relation
Belize	1989.10.13	Establish official relation
Republic of Nicaragua	1985.12.7	Break official relation
	1990.11.6	Establish official relation

Notes: 1. Twenty-five states have the official relation with Taiwan.

2. In January 2005, the State of Grenada broke off the official relations with Taiwan.

3. Republic of Vanuatu canceled the establishment of the official relation with Taiwan in 2004.

4. In October 2005, the Republic of Senegal broke off the official relations with Taiwan.

APPENDIX 7.5: MAJOR STATISTICS

<i>Year</i>	1999	2000	2001	2002	2003	2004	2005
Population (1,000 persons)	22,092	22,277	22,406	22,521	22,605	22,689	22,770
Number of workers (1,000 persons)	9,668	9,784	9,832	9,969	10,076	10,240	10,371
Increase in consumer price index (%)	0.17	1.26	-0.01	-0.2	-0.28	1.62	2.3
Unemployment rates (%)	2.92	2.99	4.57	5.17	4.99	4.44	4.13
Exchange rates (US\$1=NT\$)	32.266	31.225	33.8	34.575	34.418	33.422	32.167

Sources: Website of the Directorate General of Budget, Accounting and Statistics, Executive Yuan (<http://www.dgbas.gov.tw>) and Website of the Central Bank of China (<http://www.cbc.gov.tw>).

