

Appendix 167 - President Chen's National Day Speech (2005)

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Vice President Lu, Government Officials from Taiwan, Distinguished Guests, Colleagues, Fellow Citizens, Ladies and Gentlemen: Congratulations and greetings to each and every one of you!

Today, on the 94th National Day of the Republic of China (Taiwan), we gather here to celebrate the birthday of our nation, our hearts filled with both solemnity and jubilation as we wholeheartedly wish our beloved Taiwan a splendid future.

As we look back on the history of Taiwan's developments over the past half-a-century, we see that World War II had devastated people's livelihoods and left the country's infrastructure in ruins, waiting to be rebuilt. For the survival of the nation and the stability of the society, the government at that time set economic development as its highest priority. Through the collective efforts of its people, Taiwan has created great economic miracles that have won the acclaim of the world community. Nevertheless, what lies beneath this brilliant economic performance are many institutional and structural imbalances. Various social movement groups, including those formed by farmers, laborers, women, indigenous peoples, and environmentalists, have made repeated appeals for reforms, demanding the government to uphold fairness and social justice as it pursues economic growth. These appeals for reforms not only ignited the Taiwan people's strong desire to strive for the betterment of our society, they constituted one of the major causes that eventually led to the first transfer of power between political parties in Taiwan in 2000. We may say that the new government formed in 2000 was born to carry out reforms and that it exists to realize fairness and social justice. These missions represent the most solemn mandate from the 23 million people of Taiwan, and they embody the true meaning of the historic transfer of power between political parties.

However, shortly after we completed the first-ever transfer of power between political parties in Taiwan's history, the bursting of the internet bubble, the 9-11 terrorist attacks, the ensuing anti-terrorism struggles, and the United States-led War in Iraq all precipitated serious recession in the world economy. Owing to these factors, Taiwan also saw its first negative economic growth since the end of World War II. Meanwhile, with its unemployment rate on the rise and the health of its financial system rapidly declining, Taiwan could have suffered domestic financial crises at any time. In this precarious environment, the government set "economic revitalization" and "comprehensive reform" as its paramount tasks. With these objectives in mind, the government pushed for deregulation of various economic and trade sectors, actively pursued revitalization of the economy, and created more job opportunities, so as to improve the well-being of the vast unemployed population. The tasks to accomplish "economic revitalization" and "comprehensive reform" are meant to create win-win situations for employees, employers and the government. They are not, as alleged by some, government policies that lean toward the business community or big corporations. We pursue economic prosperity in order to enhance the people's quality of life. Wealthy people living in a poor

country cannot retain their fortune for long, whereas a wealthy society that turns its back on the continual existence of poor people is by no means a fair and just society.

With the gradual revitalization of the economy and the continuous lowering of the unemployment rate, the government shall adjust its priorities step by step. In the next two-and-half years, my administration will further execute reforms in six priority areas. The Six Reform Priorities are: financial reform, tax reform, reform to change the preferential interest rates of 18 percent, media reform, investigation into properties inappropriately seized by political parties, and constitutional reform. These reforms aim to balance "economic prosperity" with "social justice" in Taiwan's comprehensive development.

Since the government set the so-called "2-5-8 financial agenda" in 2002 to reduce the average non-performing loan ratio (NPLR) to less than five percent and raise the average capital adequacy ratio to eight percent within two years, the NPLR for domestic banks, which once reached a record high of 8.09 percent, had been lowered to 2.83 percent by August 31, 2005. Moreover, the average capital adequacy ratio has been raised to more than 10 percent. Non-performing loans, with a total amount of NT\$1.4694 trillion, have been dissolved. This accomplishment, which has helped our nation avert possible financial crises, is lauded by the country's business community as the most successful financial reform over the past 20 years. The first-phase financial reform has been completed; the second-phase financial reform has started. We hope that through the merger and integration of public and private financial institutions, we can accelerate the inflow of foreign capital investments to our country and attract foreign managerial teams to enhance the competitiveness of Taiwan's financial industry in the global community.

Although the second-phase financial reform has encountered certain challenges and there is still room for improvement in executing the policy, the direction of the financial reform is entirely correct. The healthy development of our country's financial service sector not only indicates that Taiwan's industrial structure has been moving toward the level of that of advanced countries, it also offers our people more competitive capital management and financial services. The second-phase financial reform is one of the government's most imperative policies at the moment. I would like to ask all related government agencies to rise above every challenge and achieve our financial reform goals in the due course so that our financial industry can be well equipped to respond to future challenges brought by globalization.

Over the years, preferential measures to encourage investment and promote upgrading of industries have not been routinely reexamined, which, coupled with tax exemptions for certain groups of people, has turned our country's tax system into an unfair one and seriously affected our people's confidence in the preservation of social justice. To address this problem, the Executive Yuan has sent the revised version of the Income Tax Law and regulations regarding the Alternative Minimum Tax (AMT) system to the legislature for review. The move manifests the government's effort and determination to improve our unfair taxation system. Through reexamining and adjusting related tax items and rates, we aim to effectively improve the government's capacity to carry out major national development projects and offer more resources for the disadvantaged groups. The reform of our taxation system will certainly

encounter all sorts of difficulties and challenges, but our people's expectation of the realization of fairness and justice in our society provides the most forceful impetus propelling us forward. The government will try to engage in extensive communication with our people and do its utmost to implement comprehensive tax reform step by step.

On July 1, 2005, the "new pension system," which has been postponed for 14 years, was eventually implemented. More than 90 percent of the nation's workers, numbering more than 7 million, are now eligible to obtain pensions under the new system. The establishment of the system is the most significant breakthrough in Taiwan's history of building up a social safety net. However, even with this new system in place, there are still many unreasonable practices in Taiwan's overall pension programs. After the implementation of the "new pension system," ordinary workers can enjoy 54 percent of pension replacement rate after 30 years of work. However, some retired military personnel, civil servants and teachers who enjoy the 18 percent interest rates can have 100, 120 or even 130 percent pension replacement rate of pre-retirement income. This situation exposes the unreasonable and unfair practices in our old pension system. So far, related government agencies have studied possible measures to limit the amount of savings to which the 18 percent interest rates can be applied; other potential approaches to reduce the pension replacement rate of pre-retirement income for retired military personnel, civil servants and teachers to no more than 90 percent have also been considered. These efforts are taken to address the unreasonable situation where some retired military personnel, civil servants and teachers receive pensions that are higher than their pre-retirement income, and to narrow the gap between pensions received by these individuals and workers from other walks of life. According to a survey conducted by the Research, Development and Evaluation Commission, more than 60 percent of the public believes that it is unreasonable that some certain individuals should enjoy 100 percent pension replacement rate of pre-retirement income. The survey also revealed that nearly 50 percent of the public believes it is acceptable that pension replacement rates for these retired military personnel, civil servants and teachers be lowered to 90 or 80 percent. Proposals to improve our pension system will be sent to the Examination Yuan for review, and I would like to urge members of the Examination Yuan to make decisions on these proposals as soon as possible to meet the public's expectations.

It has been five years since the completion of the first-ever transfer of power between political parties; however, many problems inherited from past authoritarian regime--under which a single party's control deeply entrenched the government's operations--have yet to be completely resolved. These problems include but not limit to: the handling of inappropriately acquired assets by political parties and the all-out elimination of the influence of political party, government and the military in the media. Although the executive branch has already sent relevant bill proposals to the Legislative Yuan for review, however, to date, these proposed bills have never been put to discussions or deliberation. In the process of its recent internal power reshuffling--notwithstanding the expectations from our society and the appeals made by public discourse, calling for reformed conducts and returning of the seized properties to the people--the political party responsible for inappropriately seizing the nation's assets not only has refused to comply with the public's expectations, but has instead rushed to sell off these properties at low-price.

Their actions provide a glaring confirmation of their lack of sincerity in acknowledging and making amends for their past mistakes. The handling of assets inappropriately acquired by political parties has set the stage for the competition between those who advocate for reforms and those who oppose them. I want to hereby solemnly proclaim our commitment to employ all possible means to return to the people of Taiwan and our country properties seized inappropriately by political parties, because these properties are not single party's assets and the transfer of their ownership does not automatically legalize the possession of these properties.

Also, pursuant to the amendments to the Broadcasting and Television Law, all political parties, government, and the military must withdraw their remaining clout in the media by December 26th of this year. However, the deliberation of bills concerning the release of government-owned shares in the media proprietorship have not been completed in the Legislative Yuan, thereby barring the continuation of follow-up actions. Relevant government agencies must continue to strive for the legislation of these proposed bills expeditiously; more importantly, greater efforts must also be devoted to completely eliminate the influence of government from the media by appropriate means and within the time limit mandated by the revised Broadcasting and Television Law, in order to push forward a constructive development of Taiwan's media industry and democracy.

Over the past five years, my administration has never wavered in our commitment to implement reforms. To this end, we have neither hesitation nor reservation in our resolve. However, the political reality confronting a minority government--which does not represent the majority in the Legislative Yuan--continues to hamper the implementation of various reform measures, undercutting the efficacy of these reforms. The current state of affairs with regard to reforms has exposed the deficiencies in our constitutional system--deficiencies that constitute the greatest resistance and impediment to our reform projects. Our current constitutional system is one that does not provide the mechanism to effectively deal with political stalemate, and one that has rendered our nation and our government idling in a state of incessant quibbling. In order to strengthen good governance and upgrade our nation's overall competitiveness, we must continue to make headways in comprehensive constitutional reforms.

With the first phase of the constitutional reengineering project completed on June 7th, the right to hold referendum has been incorporated in the statutes governing the procedures for constitutional amendments. Henceforth, all future constitutional reengineering projects will be carried out by adopting a "bottom-up and outside-in" approach; that is, relevant proposals will be first initiated by the social groups before political parties are involved. The social groups may even take the lead in the constitutional reform processes with the government playing a mere supporting role and helping to map out the procedures and channels for popular participation, as well as to encourage extensive discussions on constitutional reforms among people from all walks of life. Finally, through deliberative democracy, we hope to step-by-step assemble a concrete constitutional reform plan, which will be proposed and put to vote in the Legislative Yuan, and its final ratification approved by the people of Taiwan through referendum.

The era of constitutional reforms dictated by one-person or one-party, or with the participation and consultation of party elites only, has ended. Future constitutional reengineering project must engage popular participation, for that its success necessarily hinges on the support and acceptance of the people. Currently, our Constitution is neither timely, nor suitable, nor viable. In order to lay a solid foundation for political stability in Taiwan and for our nation's long-term stability and sustainability, there must be comprehensive constitutional reviews and revisions. I would like to hereby call upon all our fellow citizens to proactively take part in the constitutional reengineering process.

What we strive to accomplish together, after all, is a Constitution that belongs to each and every one of us. Let us, therefore, galvanize our collective wisdom and strength to engender a timely, suitable and viable new Constitution for Taiwan.

Dear fellow citizens, the abovementioned Six Reform Priorities stand on top of my administration's agenda; more importantly, these are the "Contracts with the people of Taiwan." Rest assured that everyone in the government spares no effort to achieve these reform objectives, unopposed by any difficulty or obstacle.

The first step of reform rests upon the reform of the government itself. Since the completion of the transfer of power between political parties, our government has imposed upon ourselves the highest moral and ethical standards, based on which we have endeavored to ensure a political system free of corruption and an administration proactive and assiduous. Despite criticisms we faced along the way, we will forge ahead courageously, while humbly and with an open-mind, reflecting and readjusting to pursue improvements. Furthermore, we pledge to impose zero tolerance for any systematic or structural corruption. In the event of any individual found to violate the laws of our nation-- provided that there is evidence substantiating such allegation--he or she will be sanctioned by the law; and any corruptive misconduct will be subject to actions taken by our legal authorities, irrespective of the background, credentials or social status of the persons involved. To this end, our resolve to eliminate corruption sees no bounds. As for any judicial personnel found to have violated the law or is ill-suited for his or her position, tougher yet are the standards that will be applied to establish impartial review procedures to expedite the removal of these individuals from the judicial system, so as to restore the confidence and trust our people have in the quality of our judicial system and in our democratic rule of law.

Historical developments have set Taiwan on the course of becoming the safe haven as well as the homeland for the 23 million people of Taiwan. Furthermore, over the last half-a-century, people of Taiwan--in their struggle for freedom, democracy, equality and justice--have been brought together by a shared destiny. Each time we take an aerial view of the beautiful land of Taiwan, it always stirs the deepest emotions we have for this land we call home. On this land, Taiwan stands as an integrated and indivisible entity; on this land, people of Taiwan are united by our shared destiny intrinsically connected to our land; and for better or worse, our people have, and will continue to walk alongside one another through thick and thin. For the future of Taiwan and for the well-being of our future generations, we must unite as one and consolidate the strength of our people to deepen and expand the scope of our reforms; and in continued prosperity and progress, we must, and we will, vigorously persist on the path to attain equality and justice.

In closing, let us wish the Republic of China (Taiwan) happy birthday and sustained prosperity. And to all my fellow citizens, dear friends and honorable guests, may health and happiness be with you always.

Thank you.