

KISS YOUR ASSETS GOODBYE

Taiwan President Chen Shui-bian wants to strip the powerful KMT party of its cash and its clout

BY ANDREW PERRIN

The political party once held to be the world's richest was never shy about using its money to buy support. At the peak of its power in the 1990s, Taiwan's Kuomintang (KMT) rewarded its members with stock options, lavished expensive gifts on journalists and opinion makers, and lured tens of thousands to political rallies and election booths with the promise of free food, hats, flags, jackets, and *zou-lu-kun*—red envelopes stuffed with petty cash. The party even dipped into its own coffers to bolster flagging stock markets or to buy diplomatic support from impoverished nations.

The image of an impossibly wealthy and influential organization was one the KMT tried to foster even through its Central Headquarters building. Opened in 1998 on a prime piece of downtown Taipei real estate, the \$144 million, 12-story edifice glistens with floors and walls tiled in marble imported from Spain and India. In one of the most cramped and densely populated cities in Asia, the headquarters presides over a wide, leafy boulevard, overshadowing the brick Taiwan presidential offices situated across the street—a building that was once virtually an annex of the party anyway, since a Kuomintang chairman occupied the presidency continuously between 1949 and 2000. The KMT building “is the spiritual pillar of the party,” says Chang Che-shen, director-general of the party's Administration and Management Committee.

Unfortunately for Chang and the KMT, the pillar may rest upon stolen property—and the rightful owners want it back. The KMT's wealth stems from what has become an embarrassment of assets accumulated during the party's 51 years as the island's rulers. While other political groups in Taiwan are, as in most democracies, funded largely through contributions squeezed from citizens and corporations, the KMT controls a small empire of real estate (including the land on which party headquarters sits), companies, investments and other assets estimated a few years ago to be worth more than \$17 billion.

Critics say much of the KMT's holdings, spoils from a time when Taiwan was an autocracy run solely by KMT bosses, give the party an unfair edge in the game of politics. “The [KMT] has become a very healthy monster,” says Huang Huang-hsiung, who has spent the past 10 years tracking party assets as an investigator for a government oversight agency. “It became impossible for anyone else to compete. Now we have the chance to remove the final barrier to Taiwan's transition to a full-fledged democracy.”

Not surprisingly, the man trying to knock down the barrier is Taiwan President Chen Shui-bian, whose Democratic Progressive Party (DPP) broke the KMT's longstanding stranglehold on power in March 2000 elections. Chen last month made good on an election promise when his cabinet introduced legislation barring political parties from investing in profit-making enterprises. The bills, if passed by Taiwan's parliament, would also give the government the go-ahead to open the KMT's books and seize assets deemed to have been obtained illegally.

The DPP claims it's not targeting a particular group. But Chen's controversial bid to strip the KMT of its revenue base is, of course, political. Of Taiwan's four major parties, only the KMT has anything to lose. Outsiders are not privy to the party's inner workings, but there's no doubt profits from its enterprises—which include China Petrochemical Development Corp, Broadcasting Corporation of China, and Fuh-Hwa Financial Holdings Co.—are converted into political currency to the detriment of opponents.

The KMT has vowed to fight the bills in parliament where, with the support of a splinter party, it holds a razor-thin majority. Party chairman Lien Chan blasted the proposed legislation as an act of “political liquidation” designed to deflect attention away from Taiwan's stalled economy and Chen's inability to establish meaningful dialogue with the nation's chief adversary, China.

But in trying to protect its assets, the KMT can hardly claim to hold the moral high ground. The origin of its business empire traces to the end of World War II, when Kuomintang troops, then battling communist rebels for control of the Mainland, landed in Taiwan and grabbed hundreds of properties and buildings from the defeated Japanese. After being routed by Mao's troops in 1949, the Kuomintang fled to Taiwan and established its government in exile, setting the stage for what one local newspaper described as a “five-decade looting spree”, in which the party found it difficult to distinguish between its own coffers and those of the state. Critics say elected KMT politicians flouted the law by selling government land to the party at bar-

gain-basement prices, listing party-owned companies—implicitly understood to be backed by the government—on the stock market, and offering sweetheart deals in which the government gave KMT-controlled companies the opportunity to take part in national development projects.

Indeed, public perception of the KMT as a party of self-interested fat cats contributed to its defeat at the polls two years ago. The current publicity over its rich holdings is not helping matters. An organization that once boasted 2.5 million members has suffered a mass exodus since losing power; growing public anger over the KMT's reluctance to reform promises to further erode a dwindling support base. "The party is in serious trouble," says Bruce Jacobs, a professor in Asian studies at Australia's Monash University. "Its future is now in question."

Party members are scrambling to undo some of the more recent damage. Lien, the chairman, told reporters in Taipei recently, "we hope to begin building a new image." Step one is to blunt President Chen's latest attack. On Sept. 25, Lien pledged to put the party's assets into a foreign-managed trust fund. In addition, he said the KMT would be willing to hand over to the government 110 parcels of land and 42 buildings, worth a total of \$23 million that it says were "gifts" from generous benefactors. Lien dismissed allegations that the assets were illegally acquired. The DPP responded by stating that a trust would still allow the KMT to receive payouts from their commercial operations, defeating the principle of the law.

If Chen pushes ahead with the legislation, the KMT may find itself not only on the brink of political irrelevance but also on the edge of financial ruin. The value of its holdings have plummeted of late, a descent accelerated by Taiwan's struggling economy. KMT officials say the total value of all their assets have plunged to a relatively meager \$1.6 billion. That includes \$1.16 billion worth of businesses, real estate valued at more than \$250 million and the rest in bank deposits, stocks and bonds.

Ultimately, separating the KMT from its holdings will be a difficult job for the Chen-led government. Some assets that may have been acquired through shady deals have since been sold, the profits reinvested in enterprises the government can't claim. "It's a money trail that's impossible to trace without the KMT showing investigators the way," says financial writer Vicky Tien, an expert in the party's dealings. "And it's extremely unlikely the KMT will offer their assistance."

Still, party officials have reason to rue their high-profile headquarters in the heart of Taipei, in full view each morning of Chen as he goes to work at his presidential offices. "I think the President may consider our building an eyesore," says KMT spokesman Tsai Cheng-yuan. Some members say publicly that they should return all questionable assets to the government, rather than face the humiliation of being forced to divest. Coming clean would, says KMT parliamentarian Wu Den-yi, "relieve the party of a historical burden." Even if the cost is its showcase headquarters, the KMT may find it's time to leave its lucrative past behind. —*With reporting by Joyce Huang and Don Shapiro/Taipei*