

# *A Few Suggestions for Taiwan's Economic Development*

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The government of President Ma Ying-jeou does not hesitate to spend NT\$260 million on a grand fireworks display to mark the 100th anniversary of the Republic of China. Yet the question is whether the Taiwanese people are happy behind this brief eruption of exuberance and glitter. The government grants certain groups of retirees 18% interest on their bank deposits. But 1.9 million people can't afford to pay into the national pension fund, some 600,000 people can't pay their National Health Insurance (NHI) premiums and had their insurance cards suspended, and then there are 860,000 young students who need to apply for financial aid. Does this reflect an equitable allocation of national resources? Where is the vision for Taiwan's future development?

## *Persistent Unemployment*

The Ma government claims that the unemployment rate has come down from 6.13% to 4.92%. But this decline is actually owed to the fact that the government has spent a large junk of the budget to hire several hundred thousand people on short-term temporary contracts and that many

utterly frustrated longtime unemployed have pulled out of the labor market. Conservative estimates hold that currently 680,000 Taiwanese are not able to find a job, including 200,000 who are longtime jobless. Since these people are not even able to pay the basic NHI premium, their insurance cards have been suspended so that some 600,000 people cannot even see a doctor when they fall ill. Furthermore 860,000 students need to take out loans to be able to pay tuition. These loans meanwhile total NT\$30.2 billion, which means that these young people are saddled with heavy debt before they have even started to work.

## *Shrinking Wages, Spreading Poverty*

Even those who have a job are so stressed that they cannot breath anymore: Although the consumer price index is still stable, prices for daily necessities keep climbing. On the other hand salaries and wages have not only failed to rise, but even declined to the level of 13 years ago: Nearly half of all office workers, about 3.6 million people, make less than NT\$30,000 per month, including

1 million who earn a monthly salary of less than NT\$20,000. Property prices, however, have been skyrocketing all along, particularly in Taipei City where real estate prices rose 27% last year. Ordinary families would have to save their entire income – not buying any food - for at least 18 years before they could afford a home of 35 ping (115 square meters). For the working poor and young people who are burdened with student loans the housing prices are simply unaffordable.

### Worsening Income Distribution

The Ma government prides itself on having achieved a 9.98% economic growth rate last year. But in reality this growth was generated as the economy recovered after hitting bottom, and its fruits have not been equitably distributed. Taiwan's poor population is still on the rise and life is still getting tougher and more worrisome for the vast majority. Taiwan is experiencing an increasingly drastic trend toward an M-shape society: The 5% richest have a 66 times higher income than the island's poorest, causing the wealth gap to become wider than ever before. Unemployment and the lopsided income distribution cause depression and anxiety which again led to a steady increase in crime, domestic violence, and suicides. Last year

a total of 94,927 cases of domestic violence were reported in Taiwan with the number of cases involving children and elderly hitting new records. If these social problems cannot be solved efficiently, the “Golden Age” that the Ma government has been advertising will remain merely an empty slogan.

### Wrong Diagnosis, Wrong Medication

Taiwan's current difficulties can be attributed to the Ma government's economic policy which “wrongly diagnoses the problems and prescribes the wrong medication.” Since government policy is seriously flawed in terms of direction and strategy, it not only fails to efficiently solve the problems, but even aggravates them. To sum things up, the Ma government's economic policy builds on the following three myths:

First, the China myth: The government considers China as the only way out for the Taiwanese economy. As a result Taiwan's industries and capital are syphoned off to China and Taiwanese wages are being pushed down, so that Taiwan is relegated to the periphery of China, rapidly losing its autonomy.

Second, the statistical data myth: The government pursues economic growth as the nation's utmost goal, but ignores that gross

national product (GNP) growth does not stand for improved living quality and cannot reflect the ever widening wealth gap. The consumer price index seems stable, but behind the scene prices for daily necessities keep rising, making life more difficult for ordinary people day by day.

Third, the big business myth: The government provides tax incentives, grants and subsidies to business groups and large corporations, but has few measures for three disadvantaged groups and regions – low and medium income households, small and medium sized enterprises, central and southern Taiwan. Eager to meet the needs of large corporations, the government goes as far as expropriating agricultural land (for industrial use), not shying away from sacrificing the environment for the sake of industrial development.

## An Economic Strategy for the Future

The right direction and strategy for Taiwan's economic development would be considering the three aspects economic autonomy, social justice and sustained development in a balanced way without emphasizing one at the expense of the others. Such an economic strategy should cover the following issues:

### *Placing priority on job creation*

Ordinary people only have an income if they have a job. Income from labor is the major source of income to support people's livelihood. Therefore employment is the foremost task when it comes to the livelihood of the masses. The government should make job creation its priority goal instead of blindly seeking to boost economic figures. Policy, in particular, should focus on assisting comparably disadvantaged people by developing industries and job opportunities that are suitable for them, namely industries that tap domestic demand and are therefore not threatened by cheap foreign labor.

### *Improving the investment environment*

Investment is a fundamental driver of economic growth. Unfortunately foreign direct investment as share of GDP keeps slipping in Taiwan because of the Ma government's pro-China bias and the inking of the Economic Cooperation Framework Agreement (ECFA) between Taiwan and China: From January to October last year, for instance, Taiwanese investment in China massively increased by 130%, whereas foreign investment in Taiwan contracted by 20%. Therefore the government should attract capital to Taiwan. Most urgently the misguided policy of investing in China instead of Taiwan must be corrected and

efforts must be made to improve Taiwan's investment environment. Aside from looking into laws and regulations, even more attention should be paid to raising administrative efficiency, improving the quality of public infrastructure and the living environment, and strengthening talent cultivation and competitiveness.

#### *Addressing the budget deficit, reforming the tax system*

After taking power the Ma government aggressively issued new debt, bringing government debt close to the ceiling set in the Public Debt Act. The National Audit Office estimates that outstanding central government debt including hidden debt exceeds NT\$20 trillion. On top of that our tax system has some flaws so that the tax burden as ratio of total revenues to GDP has kept declining. It is shocking to see how fast our government finances have deteriorated. On Oct. 6 last year the Control Yuan ordered the Executive Yuan, the Directorate-General of Budget, Accounting and Statistics, the Finance Ministry and other government agencies to take corrective measures because "central government debt keeps climbing and local government debt also remains high." It also berated the Finance Ministry for declaring that Taiwan's sovereign credit standing was

good, saying such statements "severely confuse the audience and are irresponsible." But so far the Ma government has not come up with an efficient counter policy.

#### *Equitably allocating national resources*

The fruits of economic growth should be jointly shared by the entire people and not end up in a vicious circle that makes the rich richer and the poor poorer. Yet the Ma government gave priority to signing ECFA with China, a country with low wages and highly similar conditions, so that low-income earners will see their jobs snatched away or their wages pushed down. Government policy ought to focus on assisting the poor and disadvantaged. The concept of public services should be actively introduced with regard to social welfare measures, including occupational retraining for underprivileged people, startup opportunities, sufficient education opportunities for children from poor families, adequate social insurance as well as direct allowances and relief to demonstrate concern for the vulnerable groups in society.

#### *Protecting Taiwan's economic autonomy*

Since taking power the Ma government has massively and rapidly opened up commercial relations with China. Under this "one China market" framework Taiwan's economy will

not only become more dependent on China, it will also lose its autonomy even faster.

Taiwan's fate will be even more controlled by China and the island will end up as China's periphery. If we want to correct this excessive pro-China course, Taiwan must think globally. In particular we need to strengthen cooperation with the industrialized countries and actively participate in regional economic cooperation in order to spread the risks from overconcentration on China and safeguard Taiwan's economic stability and development.

### *Realizing sustainable development*

Sustainable development is more than just saving energy and reducing carbon emissions. It is development that "meets the needs of the present without compromising the ability of future generations to meet their own needs." Therefore it seeks to simultaneously pursue economic growth, environment protection, and social justice across generations. In the past when the three competing goals conflicted with each other, the government often neglected environmental quality and social equity in favor of economic development. As a result it did not only destroy Taiwan's natural environment and worsen living quality, but also triggered many natural disasters, leaving a troubled legacy for coming generations so that more was lost than gained. Even now

the Ma government still does not heed public opposition, insisting on the construction of the Kuokuang Petrochemical project, a big energy consumer and carbon emitter, which will turn Taiwan's sustainable development into empty talk.

## Conclusion

The government's *raison d'être* is making the people "happy." But happiness has many aspects, it is a complex idea. Aside from higher incomes it includes health, dignity, living quality, free choice, social harmony and national security. Happiness is certainly more than just pursuing higher economic growth. Therefore Taiwan's happiness will only be able to manifest itself, if economic policy takes "economic autonomy," "social justice," and "sustainable development" as supreme strategy. **BT**