Examining the Results of Economic Development under the Ma Administration

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When burning incense and making a speech at the Bodhisattva Temple in Chingshui, Taichung, on Lunar New Year's Day, Ma Ying-jeou proudly said last year's economic growth hit 10.47 percent, the highest in 23 years, and that the Directorate-General of Budget, Accounting and Statistics (DGBAS) has forecasted this year's economic growth rate to reach 5 percent.

When it comes to the results of Taiwan's economic development under his administration, Mr. Ma obviously "felt super good about himself," forgetting his administrative "incompetence" evidenced by the bounced check for his "633" campaign promise ["633" stands for 6 percent economic growth each year, per capita income of US$30,000, and an unemployment rate lower than 3 percent by 2012].

No feelings of Economic Revival Amidst This Economic Growth

A single high economic growth rate may not necessarily reflect the real situation of economic development. The economic growth rate is the percentage increase in real gross domestic product (GDP) from one year to the next. As the economic growth rate in 2009 slumped to -1.93 percent, the worst negative growth rate on record that saw the GDP hit rock bottom, the economic growth rate in 2010, in contrast, would naturally rise higher. But the people could not feel the effect of this higher economic growth rate, so this economic growth has been regarded as "an unfelt economic revival."

In fact, if we calculate each quarter's economic growth rate after the Ma government took power, we will find that the average economic growth rate from the third quarter of 2008 to the fourth quarter of 2010 stood only at 2.62 percent, and that there was even a record-long negative growth period that lasted for five consecutive quarters (from the third quarter of 2008 to the third quarter of 2009). In other words, compared with the GDP of the second quarter of 2008, when the Ma government just came into office, the GDP of the fourth quarter of 2010 has increased only by 2.62 percent.

The public has viewed this economic growth as "an unfelt economic revival" mainly because the unemployment rate and the number of the unemployed population remain high, and real wages have not risen but have shrunk. Although the unemployment rate had slowly declined last year, it still stood relatively high at an average rate of 5.21 percent, the second-highest on record and lower only than the 5.85 percent in 2009. The average unemployment rate in 2010 was 5.21 percent. Observation of unemployment by educational levels reveals that the jobless rate for those with a bachelor's degree or higher ranked highest at 5.62 percent. The unemployment rate for high school and vocational school graduates, 5.58 percent, was the second highest.

On the other hand, observation of unemployment by ages shows that the jobless rate for those between the ages of 15 and 24 was the highest, reaching 13.09 percent. The unemployment rate for those between the ages of 25 and 44 was the second highest, standing at 5.35 percent. This reveals that young graduates' failures to find jobs have been severely prevalent. If we calculate the unemployment rate in the broad sense, which includes both the unemployed and those who desire work but are not looking for a job, then the jobless rate in the broad sense would hit as high as 7.35 percent in 2009, the highest on record. Although this figure has fallen in 2010, it still reached as high as 6.57 percent. With the government's endeavors to embellish the unemployment rate by recruiting temporary workers in droves and subsidizing companies' hiring of employees, the jobless rate had dropped to 4.67 percent last December.

However, it was still the highest unemployment rate among the Four Asian Tigers (the rates were 4 percent in Hong Kong, 3.6 percent in South Korea and 2.1 percent in Singapore respectively).

The phenomenon of triangle trade (receiving orders in Taiwan and manufacturing products overseas) formed by the continual diaspora of Taiwanese companies to China has kept expanding. Statistics published by the Ministry of Economic Affairs January 20 revealed that a record-high of 50.43 percent of export orders received by Taiwanese firms was filled by their production sites overseas (mostly in China) last year. Therefore, although the value of export orders set a record last year, over half of the production capacity came from overseas operations that are mainly located in China.

Another statistics compiled by the Investment Commission also showed that up to US$12.23 billion of investment amount in China was approved last year, which for the first time exceeded US$10 billion, hit a record high, and has increased by 101.87 percent over the previous year. In contrast, foreign investment in Taiwan has decreased by 20.56 percent last year. This development totally contradicts the Ma government's claim that the Economic Cooperation Framework Agreement (ECFA) can attract international investment to Taiwan.

The triangle trade in which over 50 percent of products are manufactured overseas may contribute to GDP growth, but its beneficiaries are mostly entrepreneurs and major shareholders. It has not helped improve domestic employment. On the contrary, the relocation of enterprises overseas has caused plights such as laborers facing job losses and wage reductions.

According to statistics provided by the DGBAS, real wages in the manufacturing sector were NT$36,208 last October, declining by 3.4 percent compared with those in 2009 (NT$37,477 in 2009, with a growth rate of -8.4

percent). This amount has plunged lower even than 1995's figure of NT$36,269, indicating real wage levels in this sector have returned to where they were 15 years ago. On the other hand, real wages in the service sector were NT$38,405, falling by 8.6 percent compared with those in 2009 (NT$42,035 in 2009, with a growth rate of -2.5 percent). This amount is lower than 1992's figure of NT$39,031, signaling this sector's real wages have returned to their levels 18 years ago.

The outcome of the economic development under the Ma government naturally worsens the uneven distribution of income and widens the gap between rich and poor. According to the DGBAS' statistics, in 2009, the ratio of the income share of the top quintile of families to that of the bottom quintile of families (the change of income occurred by current transfers between households and government calculated) was 8.219, which is a record high and is nearly 0.7 times higher than the ratio of 7.523 in 2007. This ratio is expected to set a new record in 2010 because last year's economic growth rate reached 10.47 percent, whereas real wages continued to experience negative growth. This trend has benefited those who with high income, such as entrepreneurs and major shareholders, but have harmed wage earners, i.e. middle- and low-income persons.

The Myth of Leaning Toward China and the Myth of Corporations

During the two and a half years since the Ma government took power, the myth of leaning toward China and the myth of corporations upheld by the administration have become the primary causes of the rising misery index and the continual widening of the gap between rich and poor. The Ma administration's economic policies have followed the line of "colonial economy," honoring China as the suzerain and depending on the "one-China" market.

Therefore, as soon as the Ma administration came into office, it has decided to sign the ECFA with China in imitation of the Closer Economic Partnership Arrangement (CEPA) inked between Hong Kong and China. Before the CEPA was signed, the Hong Kong government had repeatedly advertised the capacity of the pact to create job opportunities once the agreement has been achieved. In a similar fashion, the Ma government has also emphasized over and over that the signing of the ECFA would not only attract Taiwanese businessmen back to Taiwan to invest locally and establish factories here, but will also draw foreign direct investment to Taiwan.

However, Hong Kong's CEPA experience reveals that the pact has only triggered a second wave of the relocation of industries to China, which has resulted in the continual deterioration of the hollowing out of the manufacturing industry, worsened Hong Kong's poverty problems, and widened the gap between rich and poor. The beneficiaries are a few corporations and capitalists, while most laborers and middle-class workers have fallen victims to the agreement.

CEPA has made Hong Kong ever more

dependent on China and has forever disabled Hong Kong from pulling it economic lifelines from China's grip. The ECFA is one version of Hong Kong's CEPA and will also cause a second wave of the relocation of Taiwanese industries to China, especially producer services such as the financial, securities, and insurance sectors, leading to the hollowing out of the manufacturing industry. What's more, the ECFA will definitely bring about serious unemployment problems as well as widening the gap between rich and poor in Taiwan. The agreement will make Taiwan more reliant on China and turn Taiwan's economic lifelines over to China's hands.

The Ma administration's persistence in signing the ECFA with China shows that it has been caught not only in the myth of leaning toward China but also in the myth of corporations. The ECFA focuses on corporations and major industries such as the petrochemical, steel, and mechanical industries, but neglects labor-intensive industries and middle- and small-sized enterprises (MSEs). Ma's government offers rewards and tax concessions to leading enterprises but overlooks care for the relatively disadvantaged groups and areas, including middle- and low-income persons like laborers and farmers, MSEs, and the central and southern regions of Taiwan. This has worsened the uneven distribution of income and widened the gap between rich and poor in Taiwan. If the Ma administration will not give up its "colonial economy" policy line that leans toward China, nor will it change towards the direction of true internationalization, then Taiwan's jobless rate and unemployed population will continue to remain high and the gap between rich and poor will keep expanding.