Colonial Economics and Conglomerate Interests First

To-far Wang

I. Colonial Economy, Reliance on China

Since Ma Ying-jeou took power, he has been taking Taiwan down the road to a colonial economy, respecting China as suzerain in order to develop the domestic economy. Aside from completely opening up Taiwan to China, the Ma Government signed the Economic Cooperation Framework Agreement (ECFA) with China in June 2010. Its purpose is to build a "one China market," turning Taiwan into an economic vassal of China, and paving the road for Ma's political goal of "ultimate unification."

Since China's production costs are much lower and its market scale much larger than that of Taiwan, ECFA will cause another exodus of Taiwanese enterprises to China so that Taiwan will see a massive drain of capital, skills and talent. In 2010 Taiwan invested a record high US$12.23 billion in China, up to 101.87 percent from the previous year, according to the Investment Commission under the Ministry of Economic Affairs. Listed and OTC companies remitted a record-breaking total of NT$175 billion to China in 2010, according to the latest information on the Market Observation Post System website. This provides sufficient evidence that another "go west" rush to invest in China has been unleashed. The Investment Commission statistics also show that foreign and overseas Chinese investment in Taiwan shrank 20.56 percent in 2010, a clear indication that ECFA did not just fail to boost foreign investment, but even caused its decline.

Presently China accounts for more than 70 percent of Taiwanese investment overseas (if indirect investment is factored in this share rises to more than 80 percent) and exports to China account for more than 40 percent of Taiwan's total exports. This means that Taiwan has "put all its eggs into one basket (China)." In 2006 Chinese economist Hu Angang put forth the assertion that"a seven-day trade war will ruin Taiwan." He argued that should China impose economic sanctions, restricting the export of certain products to Taiwan, it would take only seven days to bring Taiwan to its knees and surrender. These are the possible consequences of pursuing a colonial economy that is based on economic dependence on China!

II. Conglomerates Profit, Ordinary People Suffer

The Ma Government has been cozying up to big business too. The ECFA deal was also struck bearing in mind the interests of the petrochemical and steel industries, and the petrochemical conglomerates in particular. Now that ECFA has been signed, two-way trade in goods will "ultimately" enjoy zero tariffs. In the short term this is an advantage for large manufacturers of petrochemical plastics, machinery, steel and other products that were originally slapped with comparatively high tariffs when exported to China. But cheap Chinese copycat products and agricultural products will also inundate Taiwan, dealing a blow to labor intensive domestic industries and agriculture, and proving extremely detrimental for our small and mid-sized enterprises.

Furthermore, the Ma Government hiked prices for gasoline and diesel fuel as soon as it took power and resolutely raised the oil price to market price level. This is another way of letting specific petrochemical groups make money. Because prices were "raised to market level" the increased costs were actually completely shifted onto the shoulders of consumers. On top of that the pricing formula for the Ma Government's floating oil price system is derived in a "black box operation," that grants the two petrochemical companies CPC Corporation and Formosa Petrochemical Corporation considerable leeway to make profits.

Besides, the Ma Government keeps granting tax incentives and tax breaks to conglomerates, large companies and rich people, but neglects the economically weaker sectors of society such as medium and low income earners in industry and agriculture, small and medium-sized enterprises, as well as central and southern Taiwan. The Government lowered the inheritance and gift tax to 10 percent from 50 percent on the grounds that a lower tax rate would bring back flight capital, yet ensuing speculation caused real estate prices to skyrocket. As a result ordinary citizens may not be able to afford a home even if they scrimp and save for decades, instead ending up as homeless snails without a shell!

III. The Broken 6-3-3 Campaign Pledge

During the presidential campaign, Ma made his "6-3-3" campaign pledge, namely average annual economic growth of 6 percent, an unemployment rate below 3 percent and per capita income of US$30,000. While the economy grew 10.47 percent in 2010, this high growth rate is partly owed to a low comparative basis in 2009. Since taking power, the Ma Government has recorded five consecutive quarters of negative growth (3rd quarter 2008 through 3rd quarter 2009). If we compare the 2nd quarter of 2008 when the Ma Government assumed office with the 4th quarter of 2010, then GDP grew only 2.75 percent. Even if economic growth in 2011 reached 5 percent, the three year average would still only be 3.4 percent, a far cry from Ma's 6 percent target.

In addition, the unemployment rate has been creeping upward under the Ma Government. While the unemployment rate stood at 3.95 percent in June 2008, it soared to 6.13 percent in August 2009, hitting a historic high. Although the jobless problem gradually eased in 2010, the unemployment rate still hovers around 5.21 percent. Jobless rates of 5.62 percent for university and graduate school graduates and 13.09 percent for young people between 15 and 24 years of age underline that young workers and fresh graduates find it particularly difficult to find jobs.

At the same time, 240,000 people, or 50.85 percent of non first time jobseekers, lost their jobs in 2010 because their companies shut down or faced shrinking business, mainly due to the effects of enterprises' migration abroad (in particular to China). The conclusion of ECFA has not only triggered another industrial exodus to China that takes away employment opportunities from Taiwan, but also fosters the massive influx of Chinese products, dealing a blow to Taiwan's homegrown industries. In 2010 50.43 percent of orders received in Taiwan were filled with products manufactured abroad, which shows that half of Taiwan's jobs have migrated abroad (mainly to

China). Given the ECFA impact on employment, realizing the promised unemployment rate below 3 percent has become even more elusive.

As for the promised per capita income of US$30,000, Ma has been feeding the people a mere illusion. When the previous Democratic Progressive Party Government handed over power to the Kuomintong (KMT), the average per capita national income already exceeded US$18,000. But under the Ma Government per capita national income declined to US$16,895 in 2009. Even if economic growth reached 5 percent in 2011, average per capita national income would only be around US$20,000, a far cry from the dreamed of US$30,000!

IV. Misery Index and Wealth Gap See Record Highs

The defreezing of the oil price under the Ma Government caused consumer prices to rise, even leading to stagflation (inflation during a period of economic recession). In June 2008 consumer price index (CPI) annual inflation edged up to 4.95 percent, while the misery index (derived by the addition of the inflation rate to the unemployment rate) jumped to 7.67 percent (average rate during the 2000-2007 period only 5 percent). Working people are already miserable beyond description given that real wages are stagnating or even shrinking, whereas consumer prices and housing prices have gone through the roof. Yet the Ma Government pours oil on the fire by letting the national health insurance, the labor insurance and the national pension fund follow suit and clamor for premium hikes too!

Aside from renewing Taiwan's 30-year-old misery index record, the Ma Government has also opened up the widest gap between the rich and the poor in Taiwan's history. According to the Directorate-General of Budget, Accounting and Statistics (DGBAS) the average real monthly wage in the manufacturing industry stood at NT$36,208 in October 2010, less than the NT$36,269 registered in 1995, meaning that real wages have fallen back to the level of 15 years ago. In the service industry the average real monthly wage reached NT$38,405, less than the NT$39,031 recorded in 1992, which means that we are back to where we were 18 years ago.

When an economy develops along these lines, it will of course make income distribution more uneven and widen the wealth gap. DGBAS statistics show that the gap between the annual disposable incomes of Taiwan's poorest and richest families (ratio of income share of highest 20 percent of households to that of lowest 20 percent) before Government transfer payments reached a historic high of 8.22. This record must have been broken in 2010, because real wages continued to shrink despite economic growth of 10.47 percent. While high income earners such as entrepreneurs and large shareholders continued to make profits, salaried workers with low and medium income were the ones who suffered.