

Our Industrial Policy Vision

Employment Opportunity, Environmental Sustainability, and Economic Autonomy

After the Ma Ying-jeou government took power, it has effectively implemented China-leaning policies in the name of globalization, launched a series of preferential measures to open up to China and even signed the Economic Cooperation Framework Agreement (ECFA) with China. However, these policies have not only failed to attract foreign investment to Taiwan as the government claimed they would, but have also triggered the trend of Taiwanese industries' relocation westward to China. In 2010, the amount of Taiwanese investment in China approved by the Ministry of Economic Affairs' Investment Commission hit a historic high of US\$14.618 billion, but private domestic investment only reached US\$73.96 billion. The capital formation rate dropped to a low of only 16.30% of GDP. Because of the consequences of the Taiwan economy's heavy dependence on China, Taiwan has not only completely surrendered the reins of its economy to China and thus lost the country's economic autonomy and security, but has also seen the nation's unemployment rates rise to 5.85% in 2009 and 5.21% in 2010, respectively the highest and the second highest points in history. The high unemployment rate in 2009 might be attributed mainly to the influence of the global financial tsunami; yet the previous Democratic Progressive Party government, which had gone through the impact of the September 11 attacks and the global Internet bubble, had still kept Taiwan's average jobless rate at 4.26% after those events.

On another front, the Ma administration has tried to boost the economy by tax cuts. It has significantly reduced inheritance tax and enterprise income tax, but these measures benefit only the rich and have by no means eased the tax burden

of the salariat. As a result, the gap between rich and poor in Taiwan has severely worsened. In the 2009 Survey of Family Income and Expenditure compiled by the Executive Yuan's Directorate-General of Budget, Accounting and Statistics, the gap between the highest 20% household income group and the lowest 20% income group has widened to a multiple of 6.34 times. If allowances and subsidies distributed by the government were not taken into account, the gap would be further widened to a multiple of 8.22 times, the highest on record. In spite of these, the Ma administration still grows complacent and believes that the gap between rich and poor in Taiwan is not too huge. The fruits of Taiwan's economic growth over the past 10 years have mostly flowed into the pockets of the high income group at the top of the economic pyramid. This has caused the continual widening of the gap between rich and poor as well as turning low and middle-income earners into the greatest victims of rising commodity prices. If the government fails to seriously consider schemes of distributive justice, it will not be able mitigate the deterioration of income distribution.

With regards to industrial policy, the government over the past three years has endeavored to promote projects that focus on "six major emerging industries, four key burgeoning 'smart industries,' and 10 major service sectors," but the planning of some of these projects does not fit into Taiwan's development. What's worse is that the strategy to cooperate with China to develop new industries has not only failed to create job opportunities in Taiwan, but has also led to vicious consequences such as the outflow of technology and the loss of economic autonomy. The government later introduced programs

dubbed “homes for industries, industries for homes” and “star industries,” which emphasize on the philosophy of cluster development and leading industries. However, hidden in these programs are risks brought by the concentration of industry chains as well as the government’s authoritarian mindset when planning the specifics and locations of these industries. Although the number of government slogans continues to increase and have covered almost all industries, the Ma administration in reality cannot provide concrete approaches and policies in this area; therefore, domestic and foreign investments have gradually shrunk.

After the abolition of the Statute for Upgrading Industries, the Statute for Industrial Innovation was passed to continue offering industries tax reductions for their innovative activities. In order to secure reelection, the Ma administration keeps trumpeting and highlighting “growth” in Ma’s “golden 10-year” vision. Ironically, under his administration, increasing economic growth rates have been accompanied by rising unemployment rates, showing that the government’s planning of Taiwan’s industries has not effectively increased employment opportunities. The Ma administration has been caught in the myth of economic growth statistics and has completely ignored that the purpose of economic development is to give the people happier and more secure life. Taiwan’s resources are limited, and the rapid economic growth over the past 50 years has seriously damaged the country’s environment. When the government formulates industrial policy for the future, it should pay attention to both localization and sustainability so as to create more job opportunities and leave a clean Taiwan to later generations. **BT**