

State  
and  
Society  
in the  
**TAIWAN  
MIRACLE**

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## Explaining the Taiwan Miracle

In November 1977, two months after I arrived in Taiwan to do the research for this book, the island experienced its first outbreak of popular antigovernment violence in thirty years. Fed up with the ruling Nationalist party's repeated crude attempts to rig the election for magistrate of T'ao-yuan County, a crowd of 10,000 people attacked the police station in the town of Chung-li, burned a police van, and went on a rampage.

This event was extraordinary for two reasons: one, that in Taiwan, a newly industrializing society noted for its strict authoritarianism and politically apathetic populace, a segment of the people had resorted to such an extreme and risky act to vent its frustration; and two, that a rapidly developing society had been free of social and political upheaval for such a long time.

In retrospect, the Chung-li Incident offers a unique key to understanding both the success and the shortcomings of Taiwan's development strategy wherein a strong authoritarian state guides and participates in rapid economic growth while suppressing the political activities of the social forces it has generated in the process. Chung-li represents the culmination of one historical stage in the interaction of these two strains and the beginning of a new one.

Departing from the standard economic approach commonly used

to explain Taiwan's economic miracle, this book offers a comprehensive sociological analysis, explaining Taiwan's unquestioned success by reference to the internal and external social, political, and economic contexts in which it occurred.

### The Statistics on Taiwan's Miracle

The data on Taiwan's developmental experience up to 1982 are voluminous and can be accurately summed up with the government's own maxim, "growth with stability."

On the economic side, where development refers not only to GNP growth rates but also to structural change and deepening of industrialization, table 1 shows that

—GNP growth rates averaged 8.7 percent from 1953 to 1982, with a peak average of 10.8 percent for the years 1963–1972 (TSDB 1983:2). The 1982 value of GNP was twelve times that of 1952 (TSDB 1983:1).

—Industry grew at a spectacular rate, an average annual clip of 13.3 percent from 1953 to 1982 (TSDB 1983:2) to 42 times its 1952 value (TSDB 1983:1).

—The economy underwent a noticeable structural change as the contribution of industry outstripped agriculture and the leading sectors of industry changed as well, from processed food and textiles to electronics, machinery, and petrochemical intermediates. This indicates diversification and deepening of the economy.

—Trade surpluses occurred nearly every year since 1970 (TSDB 1983:184).

—Inflation was conquered, dropping from a murderous 3,000 percent in 1949 to 1.9 percent in the 1960s. Its resurgence has been regulated since the first oil crisis of 1974–75 (Kuo 1983:2).

—Gross Domestic Capital Formation has been financed almost entirely from gross domestic savings since the early 1960s (TSDB 1983:48).

—The gross savings rate has been above 20 percent of GNP every year since 1966 and more than 30 percent in ten of those years up through 1982 (TSDB 1983:49).

—Foreign reserves amounted to US \$7 billion in 1980 (Prybyla 1980:75) and \$15.7 billion at the end of August 1984 (*FEER*, October 4, 1984:72).

—Debt-service was a remarkably low 4.4 percent of exports in 1978 (World Bank 1980:135).

—The government showed budget surpluses every year from 1964 through 1981 (TSDB 1983:151).

On the social side, where development refers to changes in the occupational structure and per capita income as well as a host of indices denoting improved physical and abstract quality of life, table 1 indicates

—A positive record of equitable income distribution, with GINI coefficients<sup>1</sup> decreasing from .558 in 1953 to .303 in 1980 (Kuo 1983:96–97).

—Employment in the primary sector dropping from 56 percent in 1952 to 18.9 percent in 1982 and employment in manufacturing rising from 12.4 percent to 31.6 percent over the same years (TSDB 1983:16) with a negligible unemployment rate (TSDB 1983:14).

—Nine years of free compulsory education since 1968 and a literacy rate of 89.3 percent in 1979 (Hsi 1981:81).

—Other indicators of improved living standards, such as daily calorie supply of 2,805 per capita or 120 percent of requirement (World Bank 1980:153); infant mortality rate of 10.9 per thousand (HUDD 1981:57); life expectancy of seventy-two years (World Bank 1980:111); per capita income of US \$1,229 in 1981 (HUDD 1981:7); 13.16 telephones per 100 people (HUDD 1981:51); and 212.3 television sets per 1,000 people (HUDD 1981:6).

—Domestic social and political tranquility from 1947 to the Chung-li Incident of 1977, including a smooth leadership transition after the death of long-time leader Chiang Kai-shek in 1975.

This is a remarkable record by any absolute or relative standard. The combination of economic and social development out of a morass of chaos and despair, compounded by one of the world's highest population densities—512.6 persons per square kilometer in 1982 (TSDB 1983:5), a crushing defense burden, and a dearth of natural resources (most notably, oil), justifies calling Taiwan's accomplishments a miracle. Table 2 illustrates Taiwan's accomplishments from a comparative perspective.

### Answered and Unanswered Questions

How do we explain Taiwan's miraculous growth with stability? There are two questions to address: First, how did Taiwan attain and sustain such high *economic growth rates*? Second, how did Taiwan maintain *political and social stability* in the course of its economic takeoff?

Table 1

## Indicators of Taiwan's Economy 1953-1982

Unit: % of growth

Year	(a) Popu- lation	(b) Real GNP	(c) GNP per capita	(d) Agri- cultural produc- tion	(e) Indus- trial pro- duc- tion	(f) Con- sumer prices	(g) Exports	(h) Imports	(i) Per capita income at cur- rent prices
1953	3.8	9.3	5.8	9.4	24.8	18.8	35.1	8.7	29.2
1954	3.7	9.6	5.8	2.2	5.8	1.7	-26.9	20.0	5.5
1955	3.8	8.1	4.1	0.5	13.3	9.9	32.1	-4.8	14.6
1956	3.4	5.5	1.8	7.7	3.4	10.5	52.9	52.6	10.3
1957	3.2	7.3	4.0	7.1	13.0	7.5	25.4	9.6	12.4
1958	3.6	6.6	3.2	6.7	8.6	1.3	5.1	6.6	8.1
1959	3.9	7.7	4.3	1.8	11.7	10.6	47.8	50.2	11.2
1960	3.5	6.5	3.1	1.3	14.1	18.5	4.5	28.2	17.0
1961	3.3	6.8	3.5	8.9	15.5	7.8	30.9	19.4	8.8
1962	3.3	7.8	4.7	2.6	8.0	2.4	11.8	-5.6	6.9
1963	3.2	9.4	6.2	0.2	9.2	2.2	52.1	19.0	9.9
1964	3.1	12.3	9.1	12.0	21.1	-0.2	30.7	18.5	13.6
1965	3.0	11.0	8.0	6.5	16.3	-0.1	3.6	29.9	7.2
1966	2.9	9.0	6.1	3.3	15.6	2.0	19.3	11.9	9.1
1967	2.3	10.6	7.8	6.3	16.7	3.4	19.5	29.5	12.5
1968	2.7	9.1	6.5	6.8	22.3	7.9	23.2	12.1	13.6
1969	5.0	9.0	6.6	-1.9	19.9	5.1	33.0	34.3	13.1
1970	2.4	11.3	9.0	5.4	20.1	3.6	41.2	25.7	12.6
1971	2.2	12.9	10.6	0.5	23.6	2.8	39.1	21.0	13.8
1972	2.0	13.3	11.2	2.2	21.2	3.0	45.0	36.3	17.5
1973	1.8	12.8	10.7	2.7	16.2	8.2	42.8	43.9	27.3
1974	1.8	1.1	-0.7	1.9	-4.5	47.5	25.2	82.9	31.9
1975	1.9	4.2	2.3	-1.2	8.5	5.2	-5.7	-14.7	4.3
1976	2.2	13.5	11.2	10.0	24.4	2.5	53.8	27.7	16.9
1977	1.8	9.9	7.7	4.0	13.6	7.0	14.6	12.0	13.8
1978	1.9	13.9	11.8	-1.8	23.8	5.8	31.9	26.1	16.8
1979	2.0	8.1	6.0	5.3	8.0	9.8	23.6	30.5	18.1
1980	1.9	6.6	4.6	-1.0	9.3	19.0	22.9	33.5	22.0
1981	1.9	5.0	3.1	-0.6	4.0	16.3	16.5	9.4	14.8
1982	1.8	3.8	2.0	1.3	-1.7	4.0	4.2	-5.5	5.4 <sup>1</sup>

Source: Columns a-h, TSDB (1983:2); column i, TSDB (1983:29).

Note: 1. Estimate.

Table 2 Taiwan in Comparative Perspective

Country or region	(1) Population (millions) 1978	(2) GNP per capita 1978:\$	(3) GNP per capita avg. annual growth 1969-78:%	(4) GDP growth rate 1960-70 1970-78 %	(5) Distribution of GDP (%) 1960 1978 Industry Agriculture	(6) Value of manufactured exports (\$millions) 1963	(7) Average annual rate of inflation 1960-70 1970-78	(8) Debt service as % of GNP 1970 1978	(9) Adult literacy rate 1975:%	(10) Life expectancy at birth (years) 1978
Taiwan	17.1	1,400	6.6	9.2 8.0	29 48	129	4.1 10.3	2.6 4.5	82 <sup>d</sup>	72
South Korea	36.6	1,160	6.9	8.5 9.7	19 36	39	17.5 19.3	3.9 19.4	93	63
Singapore	2.3	3,290	7.4	8.8 8.5	18 35	352	1.1 6.1	4.0 0.6	75 <sup>d</sup>	70
Hong Kong	4.6	3,040	6.5	10.0 8.2 <sup>a</sup>	34 31 <sup>c</sup>	617	2.3 7.7	0.7 —	90	72
Brazil	119.5	1,570	4.9	5.3 9.2	35 37	45	46.1 30.3	2.2 13.5	76 <sup>d</sup>	62
Argentina	26.4	1,910	2.6	4.2 2.3	38 45 <sup>c</sup>	79	21.8 120.4	3.5 21.5	94	71
Chile	10.7	1,410	1.0	4.5 0.8	38 29 <sup>c</sup>	22	32.9 242.6	7.3 18.9	88	67
Mexico	65.4	1,290	2.7	7.2 5.0	29 37 <sup>c</sup>	147	17.5 2.1	6.9 23.6	76	65

Source: World Bank 1980: Columns 1, 2, 3, 7, 9, 10: 111, Column 4: 113, Column 5: 115, Column 6: 133, Column 8: 135.

Notes: a: for 1970-77, b: manufacturing is part of the industrial sectors, c: for 1977, d: for years other than 1975.



Most scholars both on Taiwan and abroad address the first question.<sup>2</sup> Some are seemingly most interested in reducing Taiwan's developmental experience to mathematical equations; others explain it primarily as a case of getting the relationship between domestic and international prices right; and a few point out that the state is an active participant in the economy, not merely a maker of policies and externalities. The explanation offered by economists can be summarized as follows.

Fifty years of colonial occupation by the developmentalist Japanese left a legacy of very productive if skewed agriculture, an island-wide infrastructure of roads, power, communications, etc., and investment in human resources. The infrastructure and small modern industrial sector were virtually wiped out by American bombing in the last years of the Pacific War. When the Japanese suddenly departed in 1945, and especially as the Communists took over the Chinese mainland, talented and dedicated Western-oriented Chinese officials, technocrats and businessmen from the mainland, filled the leadership vacuum that the native Taiwanese, always treated as a second-class race by the Japanese, were unqualified to fill. The mainland emigré elite, motivated by the official ideology of the Three Principles of the People, rapidly revived production to prewar peaks while stabilizing the political situation. At a critical juncture, American military and civilian aid provided a buffer to help control inflation; rebuild the economy; supply needed commodities, raw materials, and foreign exchange; and generally boost the confidence of the government and people. The Nationalist Chinese government is committed to development and social welfare, but it favors free-market principles. It practices fiscal conservancy to balance the budget and prevent renewed inflation. It led the Land Reform, did not neglect agriculture, protected infant industries when necessary but then wisely took the difficult step of reorienting the economy to exports via trade liberalization, price reforms, and other incentives. It created a good business climate for local and foreign investors. Taiwan's prime resource has been an abundant supply of cheap and disciplined labor, and the private sector and foreign corporations invested in labor-intensive rather than showcase capital-intensive industry, which helped to absorb labor and distribute income more equitably. Labor and other factor productivity grew rapidly. Taiwan used its comparative advantage in labor to compete successfully in world markets, and exports became the leading engine of growth. The people are by nature thrifty, hard-working, disciplined, and ambitious, and they place a high value on education.

This explanation covers the economic bases and goes a step beyond conventional neoclassical economic explanations by bringing the state in as an indispensable actor. It also leaves many unanswered but key questions, however, most of which relate to pinning down the reasons why Taiwan was so stable during this rapid economic takeoff. From what source, for example, did the Nationalist state derive its effective power? Why has it succeeded in bringing about development when other authoritarian states have failed and its own experience on the mainland was such a disaster? Has liberalization meant an end to state participation? How has it maintained social and political stability? What limits are there to the Nationalist state's power?

In addition, what effect did Taiwan's social structure have on development and vice versa? Why were workers, peasants, landlords, intellectuals, and the middle class so quiescent and cooperative? Have different social groups benefited disproportionately from Taiwan's type of economic growth strategy? As the social structure changes, what effect are new social forces having on the direction of economic growth and continued stability? Why has there been an upsurge in political movements for democracy since 1971, and especially since 1977?

What role have global political and economic structures played in Taiwan's development? Why did transnational corporations (TNC) invest in Taiwan and what was their impact on the economy and society beyond an infusion of capital and transfer of technology? Do TNCs from different countries behave differently and have different impacts?

In sum, although it goes beyond pure economic explanations and brings in the role of the government, the standard economic approach does not delve further and ask how the structures and institutions that contributed to and shaped Taiwan's growth were formed, maintained, and have evolved.

At the opposite extreme from the economists, there are a small number of scholars who analyze Taiwan from a dependency or world-systems perspective.<sup>3</sup> As a rule, they start from outside Taiwan and situate it in global economic and political structures, first the Japanese empire, then the American-dominated modern world capitalist system. They attribute almost everything that has happened in Taiwan to external actors, denigrating the role of the Nationalist state and Taiwan's people beyond serving and responding to foreign masters. Taiwan would be nothing without Japanese imperialism, the U.S. Army, Agency for International Development, transnational corporations, interna-

tional banks, and so on, the argument runs. Capital, technology, and demand are all externally derived. In this view, the state in Taiwan is a tool of foreign corporations, repressing its people, especially the proletariat, in the service of superexploitative global capital. Local entrepreneurs are compradors who sell out to their foreign masters.

These writers start with a preconceived model that they try to make Taiwan fit into. When it doesn't, they either reinterpret the facts to show that "so-called" development and equity are not really development and equity, or that Taiwan is an exception to all laws because of special circumstances. While they add a corrective to the narrow endogenous explanatory schema of the economists, drawing attention to social structure and exposing many of the costs of Taiwan's development path, their unwillingness to seek truth from facts, their use of rigid categories, and their undisguised antipathy seriously limit the usefulness and credibility of their argument.<sup>4</sup>

Fewer scholars have looked into the reasons for Taiwan's stability. The most common explanations focus on the declaration of martial law and the pervasive and multiform internal security system.<sup>5</sup> In some cases, the stability is linked with the need to provide a stable investment environment for TNCs, but it is always tied to the Nationalist party's overriding concern with preserving its power. The system is seen as frozen and inflexible from top to bottom. Other writers admit the authoritarian nature of the regime, but see the cause as much less sinister.<sup>6</sup> Their approach to the matter of stability emphasizes Taiwan's relatively equitable income distribution and mobility as defusing social tensions. For them, repression was necessary in the first instance to prevent communist subversion and mass revolt; the external threat is still quite real, so one-party rule and internal spying perform necessary functions. They see this not, however, as something inherent in the system, but as a stage already passing on the route to constitutional democracy. They accentuate the increased importance of electoral politics, emergence of an opposition, and recent democratization as proof. For them, the repressive apparatus performed a valuable function for stabilizing the society and helping to legitimize the regime, but current stability derives from shared interest among all social forces in preserving what they have built together, and from value consensus, especially anticommunism.

These analyses contain many valid points, but again they do not go far enough in exploring the connections among the repressive aspects, the social structure, economic growth, and external forces. Taiwan is hardly the only society under martial law—why has it been so effective

and long lasting there and not elsewhere? Are workers quiescent purely because of repression or because of an improving standard of living? Is the state the willing tool of TNCs? Why did intellectuals remain out of politics for so many years?

### A Comprehensive Approach

The questions I have raised are important in obtaining a deeper understanding of how Taiwan brought about spectacular growth with remarkable stability and in assessing the possibility of its serving as a model for other developing societies. It is clear that no single factor can be held up as the explanatory variable. On close examination, one sees that Taiwan's success was a product of the interaction of a number of forces—economic, political, and social; endogenous and exogenous; constructive and destructive; fortuitous and planned; ideological and pragmatic. No book or article has attempted to link all of these together in a comprehensive way; each offers unassailable truths but only partial explanations.

A further shortcoming is that the emotional and political nature of many studies of Taiwan, and indeed the entire discourse about the place—pro-Nationalist party, anti-Nationalist party, pro-reunification, pro-independence (left, right, nonaligned)—forces readers to take them with so many grains of salt as to render them nearly indigestible.

This book approaches the question of Taiwan's development from a different perspective. Inspired by Fernando Cardoso and Enzo Faletto's influential study, *Dependency and Development in Latin America*, I propose to offer what they call a "comprehensive analysis of development."

When formulating their "comprehensive approach" in the original Spanish version of the book in the mid-1960s, Cardoso and Faletto were reacting to both the American modernization models and the United Nations Economic Commission for Latin America (ECLA) critiques of those models as explanations for the failure of Latin American nations to develop. The "modernization" perspective posits two polar ideal types of societies, "traditional" and "modern."<sup>7</sup> In the vocabulary of Talcott Parsons' pattern variables, traditional societies have social organizations and value systems that are ascriptive, particularistic, diffuse, and affective, while modern societies are based on achievement-oriented, universalistic, specific, and affective-neutral qualities.<sup>8</sup> The components that make up modern societies derive from



an abstracted description of what the authors conceived the United States and other Western societies to be. Underdeveloped societies are backward because they are traditional. This is a naturally occurring situation. By eliminating these traditional individual and structural traits (with the help of rational values, institutions, and technologies diffused from abroad), they can embark on a path that will replicate the experience of the West, and in the end they too will become modern. Scholars formulated stages through which all backward societies would pass on the journey to modernity, and they ranked nations by how far they had come according to their own particular set of criteria. Openness to Western economic and cultural forces has a positive, stimulative effect on this process. Explanations for China's failure to modernize, especially compared to Japan, commonly adopt this perspective.<sup>9</sup>

The ECLA economists criticized this approach as well as the prescription to base their economies on their comparative advantage in particular raw materials. They asserted that development efforts in their region were failing not because of indigenous tradition and lack of contact with the developed countries, but because of unequal terms of trade with those same countries. As a remedy, they prescribed diversification of trade and import substitution policies to establish indigenous industries. Forever relying on static comparative advantage in raw materials would achieve nothing.

But to Cardoso and Faletto (1979:viii), the ECLA critique did not go far enough, as it was "not based on an analysis of social process, did not call attention to imperialist relationships among countries, and did not take into account other asymmetric relations between classes." A variety of Latin American and other writers did explore these avenues beginning in the 1960s. They shifted the ground of inquiry from the individual nation-state per se to its links with global economic and political forces, arguing that no country's economy could be understood in isolation; hence the focus on the historical development of relations between the center or core of the world and the periphery, and how this unequal relationship, not traditional values, caused underdevelopment in the latter. In general, these authors saw this as a one-sided relationship, with core countries benefiting at the expense of the periphery. The dynamism in the system comes from the needs of the core; economic activity and the social and political changes in the periphery depend on stimuli from outside their own societies. From this fact comes the central concept of "dependency," which in the first instance describes an economic relationship:

By dependency we mean a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relation of interdependence between two or more economies, and between these and world trade, assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while some countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development. (Dos Santos 1970:231)

This is definitely not the same as dependence on raw materials or trade or interdependence in the modern world, with which it is often confused. It is a holistic concept including economic, political, social, and cultural dimensions that cannot be considered apart from the others.<sup>10</sup>

Although frequently unrecognized, there is a distinct diversity among writers who place the concept of dependency at the center of their analysis of development or underdevelopment.<sup>11</sup> I would draw attention to two important strains.

First is the group associated with Andre Gunder Frank which has become very influential in the United States. Intentionally combative, it is the source of what most Americans interested in the subject conceive of when they hear the term "dependency" or "dependency theory."<sup>12</sup> Frank attempts to construct a "theory of Latin American underdevelopment" (Palma 1978:898): economic dependency causes underdevelopment and renders capitalist development in the periphery impossible. The openness to capitalist economic and cultural forces from the core has not brought about development as the modernizationists predicted, but rather, exploitation and underdevelopment. The failure to develop is not due to originally extant "traditional" structures and culture but to the unequal, exploitative nature of the relationship between core and periphery. The core needs the periphery to maintain its status. In Frank's view, the only way to overthrow dependency and achieve genuine development is through socialist revolution and self-reliance.

Built upon Frank's work is the world-systems school originated by Immanuel Wallerstein.<sup>13</sup> Shifting the ground of inquiry even farther away from individual nations and their particular social formations, this school studies the historical emergence of one capitalist world system, "a unit with a single division of labor and multiple cultural systems" (Wallerstein 1974:390). Wallerstein's interest in individual

units is limited to showing how they became incorporated into this system and the subsequent effect upon their social, political, and economic systems. Several scholars have attempted to use mathematical models to describe this process and to measure "degrees of dependency."<sup>14</sup>

Though it is an economic determinist paradigm like Frank's, Wallerstein's approach uses a less static zero-sum model. He posits a tiny, select third category of countries, "the semi-periphery," sandwiched between the core and periphery. Its members play a strategic role in preventing all-out conflict between the two poles. There are three strategies by which peripheral nations can attempt to achieve semi-peripheral status: aggressive state action when global and domestic opportunities exist; invitation from multinational corporations; and self-reliance (Wallerstein 1979:76-81).

Writers of the above schools, mostly concerned with explaining the global expansion of capitalism, one-sidedly focus on external reliance and assume that patterns of domestic economic and political structures are a byproduct of this reliance. The handful of works about Taiwan in this vein<sup>15</sup> make the same error: because the island relies on trade and investment, its political leaders, allied with big business, must exploit workers and peasants. Taiwan is in the semi-periphery because the U.S. government and American and Japanese TNCs invited it in to exploit its cheap labor.

Cardoso also employs the concept of dependency, but as a "methodology for the analysis of concrete situations of underdevelopment" (Palma 1978:881), not as a "theory" with testable propositions and predictions.<sup>16</sup> In his definition, "from the economic point of view a system is dependent when the accumulation and expansion of capital cannot find its essential dynamic component inside the system" (Cardoso and Faletto 1979:xx). But to explain this situation of dependency and the possible directions toward which it might evolve requires examining not only economic variables (primarily externally derived ones such as trade, investment, and technology), but, more important, the internal social and political relations enforcing the economic structure and offering potential transformation of it—"an interpretation emphasizing the political character of the process of economic transformation" (Cardoso and Faletto 1979:172).

Rather than starting from the assumption of a mechanical, unidirectional causal relationship between external forces and internal structures, Cardoso examines how the relationship between the two is ex-

pressed in the social structure of the underdeveloped country. Further, this is not a static or fixed structure, but a relationship with potential for change. Because Cardoso examines internal and external forces in dynamic interaction, he can explain those few cases where the outcome leads to development—what he calls "associated-dependent development" (Cardoso 1973)—as well as the more frequent cases of continued failure to develop.

Peter Evans (1979) successfully employed this methodology in his case study of Brazil. He described the emergence of an elite triple alliance ("tri-pé") of the state, multinational corporations (MNCs), and local capital over time, its different interactions in various industrial sectors (textiles, pharmaceuticals, and petrochemicals), and the consequences for national integration.<sup>17</sup> This form of dependent development results in certain adverse consequences. There are several forms of disarticulation: 1) MNCs use capital-intensive technology, inappropriate for the social structure, which exacerbates unemployment problems; 2) there is a lack of linkages between MNCs and local firms; 3) there are trade imbalances and foreign debt; and 4) people develop a taste for consumption goods from the core, which harms local industry. The other main genre of grim aftereffects is exclusion: worsening income distribution as the masses are excluded from the fruits of their labor, and demobilization of the masses from political participation and installation of repressive military regimes.

Cardoso and Faletto call their methodology "historical-structural" because, by focusing on historical "moments of significant structural change" (1979:xiv), they can determine how economic relationships and the social structure that underlies them arise as a result of human activity, and how they can be transformed through social action. Rejecting the notion, fundamental to many dependency theorists, that once in place these structures are stable and permanent, capable only of "generating more underdevelopment and dependency" (1979:x), they look at specific situations of dependency and assert that the structures themselves generate possibilities for transformation. Cardoso and Faletto do not predict necessary outcomes; they analyze facts and suggest possible alternative lines of development. Their analysis is comprehensive because it examines the continuous interaction among economic, social, political, and ideological variables, at both societal and international levels. This contrasts with much of American social science, which is split into narrow disciplines that pay scant attention to the insights or methods of the others (also a shortcoming of

the economistic studies cited above).

I began this chapter by demonstrating how much Taiwan's economy and society have developed and, after finding fault with past explanations for this, now write approvingly of a method of analysis originally formulated to explain the shortcomings of such development in Latin America. This leads logically to two very fair challenges: Is this method even applicable to the Taiwan case? And how is it an improvement over previous explanations?

Although initially derived from studies of the Latin American experience, the historical-structural method can be disengaged from that region and used as an approach to analyze development or underdevelopment elsewhere. The historical-structural method starts by analyzing a situation of dependency but does not thereby rule out the possibility of development. Taiwan's starting place was in most ways very similar to that of the Latin American countries whose experiences formed the empirical foundation for the dependency school. Taiwan went through a classic dependence or colonial phase, when a foreign power skewed the economic structure, as well as the social and political systems, to the needs of the metropole. Integration into the global economy was done by foreign actors, not an indigenous group.

Taiwan then entered a stage during which its capitalist economy had to rely on external factors for capital, capital goods, technology, and trade in order to expand. It depended almost exclusively on the United States for these, and this relationship brought about certain domestic social and political adjustments.<sup>18</sup> The domestic economy lacked natural resources, foreign exchange, and capital; could not produce most of its own inputs; and was poorly integrated. The autonomous state played the role dominant classes played in Latin America. When foreign investors began to arrive, they established industries in enclaves without domestic links, thereby tying segments of the economy and work force into global structures divorced from the local scene.

Yet well before the mid-1980s, things had changed dramatically. Capital for investment was primarily from domestic savings, and the state's coffers were flush with foreign reserves. While the island relied heavily on imported capital goods and technology, these were for a higher stage of industrial production, and Taiwan was exporting its own capital goods, technology, and whole plants to less developed countries. Taiwan-based transnational corporations were making direct foreign investments in the United States, Europe, and the Third World. Trade was still concentrated on two countries, the United States and Japan, but markets and sources for the trade-dependent economy had

been diversified. The domestic production structure, including foreign-owned enterprises, had become increasingly integrated vertically and horizontally. The social dislocations commonly associated with dependency, such as an impoverished rural sector and glaring inequality, had been largely eliminated. New social forces had emerged and the state's relations with society as well as its own makeup had changed considerably.

The Cardoso and Faletto method is applicable precisely because, taking all relevant factors into consideration, it can address the question of how it was that Taiwan's specific situation of dependency yielded development, not underdevelopment. It is an improvement over previous economistic or dependency explanations because it is intentionally designed to ferret out all of the factors that were clearly involved in effecting this transformation, many of which are overlooked in other methodologies. It can incorporate and link the findings of economists, historians, anthropologists, political scientists, and sociologists, locate them in a global context, and answer critical questions that narrower approaches ignore. One does not plug data into preassembled boxes, but uses them as a guide to ask certain types of questions. While Cardoso and Faletto note this method's Marxist origins, it is neither dogmatic nor a call to arms, and, in fact, it owes more to Max Weber than to Karl Marx—facts upsetting to more committed colleagues.<sup>19</sup>

This book uses the Cardoso and Faletto methodology in the following way. I break Taiwan's history down into periods distinguished by major transformations of economic structure: from a self-strengthening Chinese society to a Japanese colony; a chaotic interregnum as a new structure emerged; then import substitution, export orientation, and export-oriented import substitution, all under Chinese Nationalist leadership. Each chapter examines the international context, domestic economic and social structure, form of political domination and integration, and linkages among them. I explain the evolution of these structures, the origin of development strategies, and then reasons for their transformation. I argue, in the final chapter, that the Chung-li Incident signalled the start of a new era when the state will be much more accountable and vulnerable to society if Taiwan is to survive economically and politically as a *de facto* independent nation.

### *A Note on Terminology*

Because of the centrality of the concepts of "state" and "society" in this book, I should make clear how I use these and other terms.



I adopt Marx and Engels' (1970:57) definition of civil society as "embrac[ing] the whole material intercourse of individuals within a definite stage of the development of productive forces. It embraces the whole commercial and industrial life of a given stage." This book begins when Taiwan's social formation was *precapitalist*, that is, prior to the emergence of a capitalist class or bourgeoisie that privately owned the means of production and a working class or *proletariat* that sold its labor power to the capitalists. One objective of this study is to describe the unique way in which these classes took shape and to explain how that influenced social and political change.

I adopt Skocpol's (1979:29) definition of the state as "a set of administrative, policing and military organizations headed, and more or less well coordinated by, an executive authority" that controls a specific territory. In a class society, the state "at the highest level of abstraction . . . refers to the basic alliance, the basic 'pact of domination,' that exists among social classes or fractions of dominant classes and the norms which guarantee their dominance over the subordinate strata" (Cardoso 1979:38). It is thus more than what we mean by "government"—particular incumbents of organizations who exercise authority—as it includes the social context in which it operates.

In a society divided by classes, the state by its actions and policies inevitably serves the interests of particular classes or class fractions. But I reject the simplistic notion of the state as the instrument by which one class dominates another; some policies work against the interests of classes that other policies favored. While social groups may try to penetrate and control it, I agree with Skocpol (1979:29) that "the state properly conceived is no mere arena in which socioeconomic struggles are fought out." That is, the state, as a set of organizations, has its own interests beyond those of particular social forces and, in the first instance, looks after its own preservation. To the extent that it can preserve itself and implement policies that in the short run might harm the interests of particular social groups, even the most powerful ones, it enjoys relative autonomy from constraints imposed by various domestic or foreign forces. In some cases, a tightly organized, well-disciplined political party representing a class or several classes (fractions) may create and dominate the state.

In the developing world, states commonly emerge through a struggle for independence. The state structure that is established, and the background and loyalties of the *cadres* who populate it, reflect the relative power of various social forces (peasants, workers, capitalists, military,

landlords, minority ethnic or religious groups, foreigners). The new state has a more or less aboveboard agenda for the political system, economy, society, defense, culture, and international relations. This may be elaborated in an official ideology. Priority goes to the state's ability to extract resources in order to consolidate power and preserve itself domestically and internationally, and also to the maintenance of order and economic production. In implementing the agenda the state faces a plethora of constraints: opposition from social groups; conflicts within and between state organizations; struggles between professional bureaucrats and politicians; lack of state cadres or civilians with requisite talent or training for the tasks at hand; lack of domestic or foreign sources of resources, capital, and technology; obstructionist expatriate foreigners or their domestic representatives; external enemies; external allies offering assistance but with onerous strings that force a compromise of plans.

Relations between the state and society range between extremes: from a state that is little more than a puppet of powerful domestic or foreign forces to a cohesive state with complete autonomy from domestic or foreign interests. Coercive, administrative, and extractive state organizations attempt to assert and maintain state power over society or, at least, subordinate strata. Their actions may be carried out by formal groups, such as the judicial and police systems, legislative bodies, economic planning agencies, and tax authorities, or by informal ones, such as secret security and internal spy networks, extortionists, red-tape bureaucracies, and patron-client ties. Which bodies are most active varies among types of systems and cultural proclivities.

In some systems, social forces have freedom to organize to press their interests against the state. They may organize political parties, put up candidates for elections, lobby powerholders, influence official appointments, or mount propaganda campaigns. In other systems, social forces enjoy no such rights. The state prevents free association, speech, lobbying, publishing, etc. and either atomizes individuals or strictly regulates social intercourse, appointing its own trusted individuals to head social groupings, or infiltrating them with secret agents. In such systems, it becomes very difficult for society to constrain state actions. It can try to resist violently, passively, or by emigrating, or it can accept the reality of the situation and make the best of things for the time being. This may result in sullen acquiescence or, if the structure permits, eschewing political activities for other approved endeavors.

In this book, we confront a unique case where a fully elaborated

state, controlled by a Leninist party, imposed itself over a society in which it had no power base. In the extended process of political consolidation and economic growth, state-society relations assumed a shape that facilitated explosive development of productive forces and rapid social change but political stagnation, until pressures from society and within the state itself, in concert with a changing international environment, stimulated political democratization.



## 8

# State and Society in the Taiwan Miracle

This book began by criticizing previous explanations of Taiwan's development as partial or misleading. To rectify this, I have utilized Cardoso and Faletto's comprehensive historical-structural methodology to retell the story of Taiwan's development. I also asserted that the 1977 Chung-li Incident was a watershed event for continued maintenance of the structure that had characterized Taiwan's postwar development to that time. In this concluding chapter, I will summarize the structure up to 1977, explain the significance of Chung-li, and in the process respond to the key questions I claimed other approaches left unanswered. Finally, I will comment on Taiwan as a model of development.

Clearly, any explanation of Taiwan's growth with stability must start with the Nationalist party-state. What leaps out from the preceding historical-structural analysis is the way in which Taiwan's political elite, with a great deal of autonomy from particular social interests, effectively led sustained economic development through several crises and maintained stability in the bargain. It did not just get the prices right, but it restructured society, channelled funds for investment, intervened directly in the economy, created a market system, devised indicative plans, determined the physical and psychological investment climate, and guided Taiwan's incorporation into the world capitalist system.

The KMT state's effectiveness derived from several factors. Perhaps most important was its relation to Taiwan's society. Cardoso's concept of "pact of domination" is irrelevant in the first stage, because the KMT began, in effect, as a colonial power occupying and restructuring a conquered and leaderless society. Comprising little more than a bureaucracy and army, the KMT had no social base on Taiwan with demands to constrain its actions. Taiwan was also devoid of foreign economic interests that might have hindered the KMT's efforts at control. The mainlander regime confiscated industrial and financial assets, carried out a land reform, and remolded social groups from an unassailable position of strength virtually without parallel in the Third World. Backed by a gargantuan, foreign-supported military machine, the organs of martial law, and a pervasive internal security system, the KMT stands as an almost overdetermined case of "revolution from above."<sup>1</sup>

Effectiveness also derived from the high degree of cohesiveness of the KMT on Taiwan. Negatively, this came from being a numerical minority, although armed to the teeth, in a hostile society, and from the threat it faced across the straits. The mainlander elite has never uncircled the wagons. Positively, though, its unity came from a strong leader, a commitment to prove it could succeed, its motivating ideology, and U.S. backing. Thus the factors that doomed it on the mainland—foreign military and economic occupation, a mass revolutionary movement, alliance with the most conservative social forces, rampant corruption, crippling factionalism, warlordism, demoralization, and a hesitant ally—did not confront it after 1950. Its autonomy, ruthlessness, determination, ideological legitimation, cohesion, material base, and foreign support distinguished the KMT on Taiwan from other authoritarian regimes as well as from its own botched efforts on the mainland.

These factors sufficed to ensure its control over Taiwan's territory, people, and resources—its overriding objective in the 1945–1950 period—but do not explain why it then shifted to a program to develop and industrialize the economy, or why this succeeded.

The initial motivation behind development was short term: to build Taiwan into a defensive bastion and to beef up its supplies and productive capacity for the imminent counterattack, after which Taiwan would revert to being one of the two-dozen-plus provinces of the Republic of China. It achieved the former goals rather quickly. Realizing that the sojourn on Taiwan would be lengthy, and under American pressure and



US shaped  
tied assistance to develop Taiwan as a showcase of noncommunist development, the party-state then turned to promotion of agricultural and industrial growth. To the United States, Taiwan-as-symbol evolved from freedom's embattled garrison to living proof of the superiority of a noncommunist route to relatively egalitarian prosperity. Also positively affecting state policies were Sun Yat-sen's writings on a strategy of state-led economic development with a role for foreign investment, which provided systematic ideological underpinnings most other non-communist LDCs lack.

shaping of system  
The decision to commit resources to build Taiwan and to allow the Taiwanese to participate as capitalists was not inherent in the KMT despite Sun Yat-sen's advocacy of a role for regulated private capital. While the debilitating factionalism of the mainland had been curbed, there were still sharp differences of opinion in the elite over questions of developing the economy, the suitable role for the state in the economy, and permitting the growth of a private sector. In Taiwan, as this would certainly mean a Taiwanese bourgeoisie controlling sizable resources, this was a difficult political decision. In a one-party system, all decisions are political; in this case, the ethnic issue made it even more contentious. Here, the Americans, with their control over the regime's life-support system and conditions governing their provision of aid, played a decisive role. They helped to create the initial developmental institutions, staff them with American-trained experts, and insulate them from political tampering. They saw to the fostering of a private sector and Taiwanese participation in it. American pressure and Chiang Kai-shek's decision to back the pro-(limited)free-enterprise developmentalists over the hard-line return-to-the-mainland statist ideologues in the early 1950s determined the shape the economy would assume—a mixture of official commitment to American free-market ideals and actual conformity to the Japanese state-led model in practice.

With development, this division in the party resulted in specialization, reducing the influence of the ideological generalists. Over subsequent years, bolstered by continuous success, the technocrats gained more influence and backing and institutions such as the planning agencies and MOEA upgraded their capabilities and responsibilities. The creators of the Taiwan miracle were primarily engineers by training who learned by doing. Economists entered the agencies later, and they still tend to be outside government. Economic planners rarely concerned themselves with welfare issues, leaving those to other bureaus or the party, and adopting the attitude that an expanded economic

pie was the best way to solve such problems. Although KMT leaders such as Chiang Kai-shek, Ch'en Ch'eng, and Chiang Ching-kuo had military backgrounds and put the island under martial law, civilian rule was not challenged seriously. Party control of the gun in Taiwan contrasts with such Asian neighbors as Thailand, Indonesia, and the Philippines where the military has more or less clearly run the show. It more resembles Korea, which has civilianized its leaders. The decision after 1958 to take steps to open the economy to trade and DFI and the later one to establish EPZs likewise involved political struggle within the KMT, with U.S. pressure tipping the balance.

Stability through authoritarianism and a developmentalist state laid a foundation for Taiwan's growth, but also key was the mainland party-state's grudging willingness to create a system that granted wide scope to succeed economically to a pragmatic people with ambitions and talents in that direction. Cronyism and corruption existed, but so did genuine opportunity. This sets Taiwan off from such Asian neighbors as the Philippines, Indonesia, and, to a lesser extent, Thailand.

The KMT's political domination and economic agenda plus American assistance created suitable conditions, but we have to examine Taiwanese society to understand why policies worked. Fifty years as a second-class race had accustomed the Taiwanese to repression and limited aspirations. The brutal Nationalist takeover reinforced this. In addition, the aristocratic elite had been easily separated from its assets and other community leaders physically liquidated. People were organized into various groupings run by KMT cadres or military officers. From the perspective of the masses, it appeared as reprised colonialist domination.

But there were major differences. The land reform really did distribute land to the tiller and introduce technology of benefit to the individual farmer. Taiwanese could start up enterprises without being coerced into taking outsiders onto the board. There were no foreign corporations to compete with. Government enterprises were restricting their activities, leaving the field more open. Higher educational opportunities were available once one mastered Mandarin. One could engage in political horsetrading at the local level and have a say over bread-and-butter issues. The opportunities in the city to start a company or find a job seemed boundless. Recognizing and accepting the benefits and limits of the system, the people responded positively and successfully.

Cultural characteristics played an important role. These included pragmatic assessment of channels for upward mobility; acceptance of a



best of  
characteristics

moralistic authoritarian state and arrogant bureaucracy with a pater familias's concern for the citizens' daily life as normal; ambition for self and family; high value on education and learning by copying exemplars; frugality; the family as an economic unit: and entrepreneurship.

The problem in Taiwan has not been a dearth of entrepreneurship, but rather a structure to let it prosper. The Japanese demonstrated the potential rewards but kept them off limits to Taiwanese. The Nationalists built a structure enabling these latent talents to thrive. It involved granting high official prestige to business success—turning Chinese tradition on its head. Stability became self-enforcing as people were too busy making a living to worry about big political issues, and they knew firsthand that politics was dangerous. Government-business relations in Taiwan differed substantially from Japan and Korea. Whereas in Japan, regularized consultations between MITI and industry representatives helped determine industrial policy, and Korea has seen a more brutish, commandist approach, in Taiwan planners retained an aloof posture. They met to formulate policy and then relayed their decisions and attendant mechanisms to implement it to the business community and watched what happened. Although cadres did meet with entrepreneurs to exert some pressure and picked some favorites, Taiwan's private sector has been much more anarchic and self-directed than its Japanese or Korean counterparts.

incorporation to the  
world system

The KMT state controlled the way Taiwan became incorporated into the world system in a way few other countries have. When it took over, it faced no foreign interests obstructing the integration of society or consolidation of power. Local groups tied to the Japanese either fled or jumped to the Chinese side. No indigenous landed elites opposed manufactured exports. The state closely regulated exports and imports, either directly or by allocating American aid commodities. In the 1950s, because of its small market, economic instability, indeterminate future, backward industry, and paucity of resources, Taiwan had virtually nothing to offer foreign corporations, had any come sniffing around.

Aid and financial dependence were the initial forms of incorporation with the global economy. Government-regulated tariffs, trade prohibitions, and foreign exchange controls prevented haphazard commercial linkages between the business class and the outside. The first foreign investors either joined with the state or, in the case of Japanese and Overseas Chinese, were small and did not pose a threat of denationalizing local enterprises, disrupting the domestic economy, or weakening state power.

Politics  
dangerous

Aid in  
the state

When the KMT, under intense U.S. pressure and after great internal debate, shifted to a strategy welcoming DFI and liberalized trade, the integrated domestic economy already had a sound foundation and the state could channel foreign capital into selected areas. Fortuitous timing assisted this strategy so that, by and large, TNCs kept to a limited number of sectors, accepted local suppliers, introduced appropriate technology, and agreed not to disrupt the domestic market.

A division of labor in the economy among TNCs, local capital, and the state, with distinct spheres yet numerous vertical and horizontal linkages, formed the dynamic base for Taiwan's development. TNCs dominated certain sectors, notably electronics, through ownership and technology licensing and others, such as textiles, through subcontracting and purchasing arrangements. Taiwan's situation of dependency passed from one characterized by aid and loans to the more common pattern of DFI and trade, but never to a point of usurping the state or denationalizing local industry. On the contrary, it reinforced the state and boosted domestic production. Capital reproduction had a vital external component, but the majority was accumulated domestically.

Until 1977 this strategy worked extraordinarily well, despite the fledgling political challenges of 1971–72 and economic crisis of 1974–75. Local society and TNCs responded to the incentive packages presented to them, and foreign markets easily absorbed Taiwan's exports. The standard of living rose rapidly, and between authoritarian penetration and control of society and numerous mobility channels outside politics, the regime faced only a handful of challenges, all disorganized. Intellectuals were subject to strict censorship and either lived abroad or retreated to their studies. The 1971 call for reforms was a harbinger of 1977, as a few foreign-educated intellectuals struck a responsive nerve, but in that case, the regime handily suppressed it. The social base for an opposition had not matured.

The state successfully responded to economic crises in 1958 and 1973, with American public and private counsel. It defused economic \*frustration before it turned into political action. The technocrats did not consult social groups prior to strategy shifts—they analyzed problems and options and devised incentives based on what they believed entrepreneurs and TNCs would respond to, and which ensured the survival of the regime and the island's status quo internationally. They continued to utilize direct instruments such as selective tariff rates, state investments, designated priority sectors, incentive packages, and credit allocation to these ends (Wade 1984).

As a bourgeoisie, proletariat, and modern intelligentsia emerged,



the KMT incorporated them into party-dominated associations or controlled enough of their environment to prevent the formation of class consciousness or spontaneous organization. The class fluidity and safety valve of emigration defused frustrations. The party mediated class relations. Serving the interests of the bourgeoisie by constantly improving the investment climate, the state nonetheless maintained an aloofness from it and other classes in marked contrast to Japan and Korea. It acted as if it reflected a capitalist-led pact of domination, but in reality it did not absorb capitalists into the political elite. State cadres were a professional, self-reproducing stratum. The fragmented bourgeoisie ineffectively opposed a number of state policies, such as import duties, high interest rates, ultraconservative lending policies, retention of state control of key upstream industries, pressure on family enterprises to list on the stock market, TNC investment in some sectors, and "voluntary" patriotic exactions.

Individuals might run for office but there were no class-based political movements or populist politics outside of party-manipulated elections for local posts. The KMT constructed an ideologically indoctrinated coalition where all members of society believed they had a stake in preserving the political status quo.

Taiwan avoided the several types of disarticulation noted by Evans (1979) as inherent in a dependent-development form of society:<sup>2</sup> 1) technology brought by TNCs was not capital-intensive and inappropriate, but labor-intensive, absorbing rather than unemploying labor and transferring easily adaptable knowhow; 2) while starting as enclaves in some cases, TNCs became firmly linked with local entrepreneurs, transferring skills and upgrading capacity; 3) deepening of industry came after a solid technical, industrial, and financial foundation was established, avoiding the debt burden and further TNC dominance; 4) there was no class fraction characterized by foreign consumption patterns based on imported or locally manufactured luxury goods.

Distribution of land, free-wheeling outlets for entrepreneurship, measures to restrict capital concentration, numerous opportunities for employment and self-generated income, the family nature of enterprises, homogeneous consumption patterns, the rural safety net for migrant workers, and no necessity to limit incomes to pay foreign debts all contributed to reducing income inequality and extreme social disintegration.

The KMT party-state fell victim to its own success. As the economy grew, industrialization progressed, and the economy internationalized,

society became increasingly complex and difficult to manage. Businessmen and professionals required more freedom to pursue their careers in and outside the country and to enjoy direct channels to decision makers. The mass education system and open social mobility integrated the generation born after 1947, blurring the lines between the two distinct mainland and Taiwanese societies of their parents. As mainlanders died and their sons migrated, their positions naturally fell to Taiwanese who were more inclined to stay on or return to their homeland. Younger, better educated people, often Taiwanese, began taking positions in the party and government. Party rank and file came increasingly from college-educated young people who joined primarily for careerist reasons and were reluctant to submit to democratic-centralist discipline, an anachronism in a complex industrial society.

Young Taiwanese had not personally experienced the February 28 Incident and in many cases had never heard of it. While fearful of KMT repression, they could not conceive of a comparable bloodbath at this stage of development. A large middle class took shape, in time less obsessed with survival and more with the quality of life. Society grew around the KMT; the party retained dominance while losing relevance in the day-to-day life of the people it ruled.

In the 1970s, as these internal social changes evolved beyond party control, the external environment became increasingly threatening. As the mainland counterattack became infeasible, the KMT's legitimation shifted to its ability to sustain economic growth and improve the business environment. By the mid-1970s, failure to control the inflation, recession, and diplomatic isolation hammered away at its legitimacy in the eyes of its citizenry. Embattled as it was internationally, the elite still refused to democratize the political system beyond token gestures. It stifled reform and crushed dissidents. It manipulated "interest articulation." Open discussion of the ROC's fate or leadership succession were taboo.

To survive economically, it would be necessary to liberalize the economy, permit large globally competitive, Taiwanese-owned conglomerates to emerge, and reduce state intervention. Politically, survival would entail absorbing Taiwanese into the state at the highest level and appealing to the masses on a new basis—the survival of Taiwan *per se*, not the return to the mainland. Obviously, forces in the party, especially the security systems, opposed this, so there were conflicting signals of opening and cracking down through the 1970s.

A Chung-li type incident was inevitable as Taiwan's dynamic social



forces, desirous of political participation and a say in the nation's destiny, continued to clash with an ossified political regime. Where and when it erupted was not important. It signalled, for the first time, that the people's wishes would have to be actively considered in future political and economic policy making. The division of labor between mainlander party members monopolizing politics and economic policy and Taiwanese entrepreneurs and workers acting in a tightly restricted sphere began to be torn asunder.

After Chung-li, society began aggressively to press its interests against the state. The *tangwai*, through magazines, organizations, electoral campaigns, and demonstrations, articulate aspirations of a large segment of the middle class and bourgeoisie despite internecine squabbling. New faces invigorate moribund, tame bodies such as the Legislative Yuan and provincial and local assemblies, raising pointed questions about the dividing line between party and state, the necessity for martial law, prohibition of new political parties, mainlander hegemony, corruption, incompetence, a criminal underworld, lack of social welfare programs, and so on. Literary works express a new Taiwanese consciousness and pride, while also exposing the seamier aspects of society. Taiwanese abroad organize and exert external pressure, often through foreign press releases embarrassing to the government. Young party members demand changes in the KMT's gerontocratic centralist structure. Businessmen, through trade associations and elected officials, press for further liberalization plus mercantilist support in foreign markets. They also demand more freedom to do business, including with the mainland. Returned experts desire an environment similar to that in the West where they resided for years. The state is increasingly becoming an arena for social conflict on the Western pluralist model.

These political pressures have forced changes in the party and state. The KMT has become less commandist and more election-oriented, fielding candidates with popular appeal. It has ensured that elections are cleaner and more fair. It has accepted the existence of an opposition. It has held open trials for political crimes. It has sent its officials to the Legislative Yuan where they undergo rigorous interpellation and are increasingly accountable for their actions. The state pays increased attention to welfare matters. It has permitted greater leeway to travel abroad for business and pleasure.

In an increasingly threatening environment, nearly devoid of diplomatic identity, Taiwan's overriding mission is to survive. Achievement

of this requires continued successful management and intensification of economic dependency. The burden of anticipating trends in the international division of labor and devising strategies to take maximum advantage of them falls on the state. Businessmen complain of state interference but look to it for guidance and assistance. But future economic transformations will require more private input and less state commandism as the technical, capital, managerial, and marketing requirements deepen.<sup>3</sup> Business, for its part, must shoulder more of the burden of seeking and exploiting global niches and doing its own R&D. Understandably, fearing that Taiwan's future is only short-term, it has little enthusiasm for this. TNCs pose a stumbling block to Taiwan's efforts to upgrade its dependency to a different position in the global division of labor. Taiwan needs their presence to prove its international existence, but their lukewarm response to its upgrading strategy threatens success. Ironically, the fragility rather than the intractability of its situation of dependency threatens Taiwan.

As the People's Republic reforms its stagnant economic system it poses possibly a greater threat to Taiwan's de facto independence than did its saber-rattling of the past. It appears to be following Taiwan's model of a reduced state role in the economy after achieving stabilization and building an industrial base and infrastructure, while maintaining an authoritarian political system.<sup>4</sup> Should the PRC reforms succeed despite entrenched bureaucratic opposition and even expand their scope, to many foreign observers, Taiwan's intransigent refusal even to talk to the Communists might fall on increasingly unsympathetic ears. Even the implacably antagonistic Koreas talk between outbursts of violence.

Although mainlander KMT hard-liners will continue their harassment, the trends of democratization and Taiwanization must persevere if Taiwan is to endure as a viable unit. Cardoso, Evans, and other dependency writers saw authoritarianism as the outcome of dependency; the two reinforced each other. While this affinity appears obvious, it may have limits. In recent years, the trend in Latin America's dependency cases par excellence—Brazil, Argentina, Peru, Uruguay—has been turned toward redemocratization.<sup>5</sup> In the same way, Taiwan's authoritarianism (and Korea's too) has reached a crisis. The society accepts the need for discipline to maintain survival and growth, but by now the one-party mainlander hegemony seems only to maintain the fictional existence of the Republic of China. Although the regime



successfully created a broad-based consensus for development, public acceptance of the legitimacy of the political structure faces increased challenges.

### Can a Miracle Be a Model?

Too many unique elements shaped Taiwan's experience to make it a viable model, but it offers several lessons worth considering by other LDCs. Taiwan's specific situation of dependency evolved through a series of unique or nonduplicable phenomena:<sup>6</sup> colonized by a developmentalist racially and culturally similar neighbor; a postcolonial externally originating state with a developed bureaucracy, elaborated developmentalist ideology, and no ties to the island's society; an implacable foe with a radically different vision of development; an additional foreign occupying power reinforcing and reforming the state; geopolitical prior to economic incorporation into the world system; breathing space to consolidate power, revive production, and restructure society without obstructionist foreign actors; fortuitous timing; close ties to two core powers. There are also distinct cultural attributes that facilitated dependency.

Elements of Taiwan's experience of dependent development not so enmeshed in situational and cultural variables, however, can be emulated by other late industrializers. Above all is a developmentalist state.<sup>7</sup> The KMT state's horrendous debacle on the mainland, considerable autonomy from Taiwanese society, Orwellian repressive apparatus, U.S. backing, concentration of talent, and determination to do a better job this time certainly helped. But official commitment to development; creation of extraministerial agencies relatively sheltered from political struggles to guide development; investment in infrastructure and human capital; collection and analysis of data on the economy, social potential, and global situation and making such research widely available; strategic credit allocation; wide geographic dispersal of new industrial opportunities; fostering of agriculture; and land distribution are not beyond the means of most states with minimal competence and will power.

Surely, authoritarianism, autonomy, and large-scale state economic activity facilitated achieving this in Taiwan. The question is when to soften political control and selectively adopt more market-conforming tactics to sustain development, even if maintaining a highly regulated economy as a whole. The KMT has had trouble with this, but its

relationships with Taiwanese society and with the People's Republic make this problem more, not less, difficult to resolve than elsewhere.

Another duplicable component is properly allocated foreign assistance. This may involve foreign advisers and tied aid to implement, an infringement of sovereignty, but possibly a temporary sacrifice worth making for the sake of the long run. In Taiwan, it boosted the position of prodevelopment elements in the leadership who used foreign counsel as a pretext for their policies. When the foreigners departed, they left with their protégés in control.

A further important factor is correct assessment of the cultural legacy and citizenry's talents, then nurturing the constructive aspects and erection of a structure to let these flourish. If the political system is crudely authoritarian and no outlets exist for people to channel their energies beyond corruption, collaboration, or taking to the jungles, development fails.

Given the reality of the world system and international division of labor, the pervasive presence of TNCs, the general economic and social failure of Soviet-style socialism, and the disaster of excessive self-reliance, the question becomes: What is to be done?

In Taiwan's case, these realities were compounded by no resources, no foreign exchange, overcrowding, and diplomatic isolation. The extremely difficult decision to open up to trade and investment and relinquish some controls, once the payoff began, brought about a new attitude on the part of the leadership I call dynamic dependency: assessing the economy and society's capabilities and needs and then linking to the world system in such a way as to utilize these and improve one's situation. Luckily, unlike most nations, Taiwan did not have a legacy of TNCs already linking its economy and society to the outside, disintegrating social cohesion. Nonetheless, through analysis, training, solicitation of specific external actors, and careful negotiations, other sectors—old and new—could be made to benefit positively from ties to the world system. This is not to prescribe that all LDCs rush to mass-produce zoris and transistor radios, or develop export-oriented economies. Taiwan's situation necessitated a perhaps excessive reliance on exports. The point is that informed, selective, and managed linkages need not be tantamount to turning one's nation over to foreign masters. This key aspect of Taiwan's experience is being assiduously studied by millions of compatriots across the choppy waters of the Taiwan Straits.

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land for as much as