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DOMESTIC BARGAINING IN TAIWAN'S INTERNATIONAL AGRICULTURAL NEGOTIATIONS

Chien-pin Li

Development literature often depicts development as a transitional process in which agriculture is marginalized while resources are transferred to growing nonfarm sectors, through either voluntary exchange or involuntary coercion. The conventional analysis of Taiwan's agriculture and its role in economic development generally attests to this model.¹ Prior to the 1970s, as the backbone of Taiwan's economy and the major earner of foreign currencies, agriculture accounted for more than 40% of the total employment and over 20% of the net domestic product (NDP). But a series of programs unfavorable to farmers were put in place so that the government could channel resources into industrial development. For instance, rice farmers were asked to pay for fertilizer with rice at exchange ratios consistently unfavorable to them, and the government's mandatory purchase scheme bought rice from farmers at 20% to 30% below prevailing market prices. Through these mechanisms, productivity gains achieved after Taiwan's land reforms (1949–53) were taken by the government, which subsequently redirected them into the emerging industrial sector as investment capital. In addition, the abundant supply of food and labor from rural areas also provided an environment conducive to low-wage, labor-intensive industrialization. As a consequence,

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1. For a review of the role of agriculture in development studies, see Robert H. Bates, "Agrarian Politics," in *Understanding Political Development*, ed. Myron Weiner and Samuel P. Huntington (Glenview, Ill.: Scott, Foresman/Little Brown, 1987), pp. 160–95. For the discussion on Taiwan, see Teng-hui Lee, *Intersectoral Capital Flow in the Economic Development of Taiwan: 1895–1960* (Ithaca, N.Y.: Cornell University Press, 1971). Also, see Samuel P. S. Ho, *Economic Development of Taiwan, 1860–1970* (New Haven, Conn.: Yale University Press, 1978).

resources “squeezed” from agriculture in the 1950s and 1960s have laid the foundation for Taiwan’s economic expansion and industrial development.

Adverse effects of heavy taxation on agriculture began to show up in the 1960s, as the nonfarm sector accelerated its growth and overtook agriculture in both NDP and total exports. By the early 1970s, Taiwan’s agricultural policy was due for a change. This was in part because of concern for food security as Taiwan’s rice production fell to a 10-year low amid a worldwide grain shortage, and in part because of the demand for legitimacy as Chiang Ching-kuo, the oldest son of Chiang Kai-shek, was preparing to take over. As shown in the Program for Accelerating Rural Development (1972) and the Statute of Agricultural Development (1973), those policies and programs that were most detrimental to farmers were abolished. Agricultural policy was reoriented from taxation to protection and subsidization. The Rice-for-Fertilizer program was replaced by a Food Stabilization Fund (1974), which, in its first three years, purchased rice at 20% above production cost. Furthermore, guaranteed prices for domestic production and such protective measures as import licensing and restrictions were adopted to support the agricultural sector.

However, since the mid-1980s, these state intervention and support programs have faced increasing challenges. The first wave of pressures came from the U.S. government, which asked Taiwan to lower tariff and nontariff barriers for agriculture and services both to fulfill the latter’s obligations under the 1978 U.S.-Taiwan Trade Agreement and, more importantly, to reduce its trade surplus. Topics such as Taiwan’s rice subsidy and exports as well as trade barriers for wine, cigarettes, fruit, beef, and turkeys have been high-priority issues on the U.S. agenda throughout the 1980s. Persistent efforts and pressures from the U.S. gradually decreased tariff rates and import controls on many items; as a result, Taiwan’s agricultural imports more than doubled by the end of the 1980s.² Liberalization pressures and the influx of imports have definitely had an impact on Taiwan’s farmers.

In an attempt to seek extended international recognition and counterbalance U.S. trade pressures through a multilateral framework, Taiwan in 1990 applied to join the General Agreement on Tariffs and Trade (GATT), the predecessor of the World Trade Organization (WTO). Once again the agricultural sector became a focal point, this time in the accession negotiations. Such issues as market access, production subsidies, and other agricultural programs have come under close scrutiny from member states. For example, the U.S. put forth a list of 8,000 items for tariff reduction and demanded that average agricultural duties be kept below 20%. These requests became an

2. The averaged yearly agricultural imports were \$1.9 billion in 1975–79 and soared to \$4.7 billion in 1985–89.

important reference point for other member states in their negotiations. It is quite clear that Taiwan's agricultural sector will undergo further adjustments and changes in the years to come. By one estimate, local farm and livestock industries could lose up to US\$1.2 billion in the first year after joining the WTO.³

Given Taiwan's relatively isolated diplomatic position, it has had very little room to maneuver vis-à-vis the U.S. and other WTO members. Generally, it has had to concede to pressures for cutbacks of agricultural protection and support programs. How do Taiwan's farmers react to decisions that undercut their welfare? What do they do to protect their own interests? These questions are especially interesting and relevant in light of the new trends of democratization and political reforms that have come about since Taiwan's lifting of martial law in July 1987. They have set farmers free to pursue more forceful and assertive campaigns in articulating and advocating their interests. How does the Taiwanese government respond to this anger and frustration being expressed by rural constituents? What might be their options and strategies in domestic bargaining? To answer these questions, this article will examine the internal bargaining process between the government and its agricultural sector, and analyze their strategies and interactions.

Historical Background

Prior to the lifting of martial law, most farmers in Taiwan belonged to one of the 300-plus farmers' associations. These were organized in tiers parallel to the government's administrative structures, from township- to province-levels. The daily operations of each association were in the hands of a chief executive, called the general manager. Farmers' representatives elected a board of directors, who in turn chose the general manager from one to two candidates recommended by the government. Official appointments for general managers came from the Taiwan Provincial Government—the highest administrative authority for the associations—with the power to issue directives and allocate funds.

Apparently, this structural arrangement reflected the quasi-governmental function of farmers' associations under Taiwan's martial law regime. It resembled what has been characterized as a corporatist structure, that is, a system of hierarchical, noncompetitive interest representations sanctioned and mediated by the state.⁴ Interest groups functioned like transmitters or auxiliaries of political communication, resource mobilization, and policy imple-

3. See the electronic version of the *Republic of China Yearbook, 1996*, available at <http://www.roc-taiwan.org/info/yearbook/f_html/ch12_9.html#ch12_0>.

4. For the corporatist nature of interest groups in Taiwan, see Hung-mao Tien, *The Great Transition: Political and Social Change in the Republic of China* (Stanford: Hoover Institution Press, Stanford University, 1989), pp. 43–45.

mentation for the ruling regime. In exchange, farmers' associations were granted limited roles in interest articulation and policy formation.

The structure was further upheld by the depth of its penetration by the ruling party, Kuomintang (KMT). Although less than 10% of the ordinary and associate members of the farmers' associations had joined the KMT, KMT members controlled most of the leadership positions such as seats on the boards of directors and general managers. Percentages ranged from over 80% at the local level to 100% at the provincial level.⁵ During elections, the KMT relied on leaders in the farmers' associations to campaign for the party's candidates through grassroots mobilization; in turn, the KMT rewarded these loyal campaigners with political opportunities and economic resources.

On paper, farmers' associations had lofty economic missions such as protecting farmers' interests, enhancing their standards of living, and developing the rural economy. However, their economic functions were quite limited, since many of the parameters governing production, pricing, and marketing were set by governmental agencies or state enterprises. For instance, in the 1950s and 1960s, supply and distribution of fertilizers were monopolized by Taiwan Fertilizer Corporation, a state enterprise. Fertilizers were set at such high prices that Taiwanese farmers had to pay 50% more for fertilizers than their Japanese counterparts.⁶ With the help of mandatory purchasing and Rice-for-Fertilizer programs, the Taiwan Provincial Food Bureau established control over a sizable stock of rice, which gave it strong influence over the rice market. The government thus was able to manipulate rice farmers' production costs and profits. With respect to sugarcane and fruit farmers, production, shipping, and marketing of their products are regulated by contracts with the government-owned Taiwan Sugar Corporation and Taiwan Vegetables and Fruits Cooperative, respectively. Consequently, agricultural markets were dominated and distorted by government intervention. There was little the farmers' associations could do to promote their members' economic welfare.

Ironically, farmers' associations in Taiwan had become important in ways that, in effect, undercut their original purposes. With their mission to attract savings from farmers and their authority to decide on agricultural loans, these associations were in the enviable position of controlling a large amount of financial assets and credits. This made them important actors in local economies and politics. Politicians with ambitions and agenda beyond the confines of local agricultural interests frequently joined the associations and sought

5. Tien, *The Great Transition*, pp. 59–63.

6. See Hsiao Kuo-ho, *Taiwan nongye xingshuai sishi nian [The forty-year rise and fall of Taiwanese agriculture]* (Taipei: Zili wanbao she, 1987), p. 86.

leadership positions as a means to advance their own careers with the networking and resource advantages these organizations provided. As these associations turned into resource centers for local elites, competition for positions became so fierce that fraud and irregularities were not uncommon in elections.⁷ Local factionalism frequently became the cause and effect of these intensified competitions. The KMT practiced a “divide-and-conquer” strategy by playing the factions off against each other. Amid the political strife and entanglements, the original functions and purposes of the farmers’ associations were distorted or lost. They became arenas for politicians rather than continuing to serve as advocates for local farmers.

The KMT’s land reform policies introduced an additional stabilizing element in rural Taiwan that complemented its strong grip on farmers. Programs like Compulsory Rent Reduction (1949), Sale of Public Lands (1951), and Land-to-Tiller program (1953) freed numerous farmers from tenancy and granted them farmlands. Owner-cultivator households grew from 36% in 1949 to 55% in 1953. Ultimately, the wealthy, well-educated, landed gentry lost its economic and political power, while the beneficiaries, tenants, and owner-cultivators emerged as the new rural leaders. In appreciation for the reform policy, a majority of farmers provided solid political support for the government and the KMT.

Furthermore, the economic structure of the small family farm system that developed after land reforms contributed to growing conservatism in rural areas. A comparative study that included Taiwan as a case indicated that self-employed small family farmers tend to favor the status quo.⁸ Family farms act as independent, self-contained economic units. Members often react to market fluctuations and economic hardship through self-adjustment or self-exploitation. They tend to lower their own expectations or standards of living rather than organize political movements to change the external environment. The economic independence of each farming family reduced the need for cooperation or coordination between families, and hence resulted in less opportunities for community organization. In their economic undertakings, family farmers interacted more with such nonfarmers as government officials or intermediaries for services rather than with other farmers. This economic independence further contributed to their political isolation and apathy.

7. *Ibid.*, p. 55. The problem continues today. According to a recent survey, over 60% of farmers interviewed report bribes and other irregularities in the elections, and close to 50% of them mention the existence of violence in those elections. See Liu Chin-yung, “Taiwan nonghui xuanju zhi yanjiu, II” [A study on the elections of the Taiwan farmers’ associations, II], *Taiwan jingji* [Taiwan economy], no. 196 (1993), p. 44.

8. Jeffrey M. Paige, *Agrarian Revolution* (New York: Free Press, 1975).

In a survey of Taiwanese farmers' political attitudes, approximately 80% of the respondents said that there was nothing they could do if they were not satisfied with the agricultural policy; only 13% said that they would take it up with their legislative representative.⁹ The survey showed that this kind of passive, conservative attitude was quite common in rural areas. The combination of political control by the KMT and the conservative culture of small family farmers explained why farmers had been politically passive and submissive in Taiwan. Although the government's policy and the economic environment had not been supportive of agriculture, there were no instances of grievances presented by farmers in an organized fashion during the martial law era.

Domestic Bargaining Prior to 1988

When the U.S. pressured Taiwan to open its agricultural market in the mid-1980s, farmers and their organizations were clearly underrepresented in the agricultural policymaking processes. Some legislators voiced their concerns and spoke for farmers during the interpellation sessions but there was no systematic or consistent effort to make it a high-priority issue. Domestic bargaining occurred primarily at the elite level among bureaucratic agencies in Taiwan's Executive Yuan. This cross-departmental coordination was usually achieved within the framework of a special Task Force on Taiwan-U.S. Trade Relations. Before each round of negotiations with the U.S., the cabinet-level Task Force functioned as a forum for ranking officials from different Ministries such as Finance (MOF), Economic Affairs (MOEA), and Foreign Affairs (MOFA) to exchange views, coordinate policy differences, and finalize strategies.

According to the 1973 Statute of Agricultural Development, the Council of Agriculture (COA) assumes responsibility for protecting agricultural interests and should be consulted concerning all agricultural imports. Within the Task Force, the COA had been conservative in granting tariff reductions and market openings. Initially, the consensus in the Task Force was to treat each negotiation as a zero-sum game and fight hard on every issue to minimize concessions. This approach served the COA well and gave it leeway to respond to U.S. demands with slow, piecemeal concessions.

However, U.S. pressure intensified in 1986 when Taiwan went head-to-head with the U.S. in an economic showdown over the case of the beer, wine, and cigarettes negotiations. In October 1986, after months of unsuccessful negotiations, the American government initiated sanctions against Taiwan

9. Liao Cheng-hong and Huang Chun-chieh, *Zhanhou Taiwan nongmin jiazhi quxiang de zhuanbian* [The change of the value orientations for Taiwanese farmers after WW II] (Taipei: Lianjing, 1992), p. 124.

under Section 301 of the Trade Act for its delay in lifting restrictions on the sale of the aforementioned products and selected some of Taiwan's export industries as targets for retaliation. The incident was caused in part by the perceived uncompromising attitude of Taiwan's chief negotiator, who represented the Taiwan Tobacco and Wine Monopoly Board, and a trade war was averted only by an eleventh-hour, back-channel deal. The strong, negative reaction from the U.S. on this issue was quite a shock for the Taiwan authorities; since then, Taiwan has preferred to steer away from this kind of brinksmanship as much as possible.

Consequently, to avoid unnecessary delays and foot-dragging in trade negotiations with the U.S., the *modus vivendi* in the Task Force has since been to see all issues on the agenda as a total package and rank them in implicit priority so that some might be sacrificed to protect others. The patterns indicated that the Taiwanese government favored tariff concessions to market openings, and the service sectors over agriculture.¹⁰ Since then, the COA has faced greater internal pressures from MOEA and MOFA; both preferred to maintain an amicable relationship with the U.S., Taiwan's largest export market and its most important political supporter.

For economic and diplomatic officials, making concessions on agricultural issues was simply to follow the path of least resistance. The political risk was considered limited, given the traditional obedience and acquiescence of farmers and their groups; also, the adjustments were less disruptive given the diminishing role of agriculture in Taiwan's economy. In the early 1980s, Taiwan's agricultural sector grew at a meager 2%, in contrast with a near 5% growth in the 1970s. Agriculture accounted for less than 10% of the GDP and less than 19% of total employment (compared to 30% and 51%, respectively, in the early 1960s). Only 9% of the farming population remained full-time, with part-time farming households soaring to a record-level of 91%. For the efficiency-oriented, cost-conscious economic officials in the Task Force, reducing the level of agricultural protectionism was a logical step.

In response to pressure from the U.S., Taiwan reduced tariffs for over 100 agricultural products between 1985 and 1987 and eliminated many import restrictions; most concessions were made in the areas of fruit (fresh or canned) and meat (beef, fish, and turkey). Incidentally, as the Taiwanese economy continued to grow and personal incomes continued to rise, people reduced their consumption of rice while spending more money on more expensive products such as meats, vegetables, and fruits. Trade liberalization in these areas thus gave foreign competitors a golden opportunity to push into

10. See Robert E. Baldwin and Tian-Jy Chen, *Political Economy of U.S.-Taiwan Trade* (East Lansing: Michigan State University Press, 1995), pp. 96–97.

Taiwan's market. The enormous surge in agricultural imports quickly led to price meltdown, causing many local farmers to suffer greatly as a result.

Farmers' Protests and Subsequent Developments

Even though subsidy and support programs in the early 1970s had given farmers a much needed breather, they failed to change the fundamentals. Critics pointed out that just 3% of total public investment went to agriculture in the late 1980s, although the sector accounted for 5% of the GNP at the time.¹¹ Government control and manipulation of commodity and fertilizer markets took away farmers' profit margins; in fact, farmers' average income was the lowest among all occupations, accounting for only 66.4% of that of nonfarmers.¹² As Taiwan's industries expanded, many farmers found themselves in conflict with nearby factories, which diverted irrigation systems, polluted water and soil, and lured away farm laborers. More and more young people left farming for what they saw as better lives and opportunities elsewhere. Since 1985, the rural population over the age of 65 has risen from 111,000 to over 200,000, which puts the inefficient and nonprofitable farming industry into a vicious cycle. The aging agrarian workforce did not receive proper medical care, since farmers were the only group not covered by the national health insurance scheme.¹³ Thus, farmers in Taiwan had to struggle to survive the economic hardships of the 1980s.

Government concessions in international agricultural negotiations made the situation even more difficult for farmers. Many felt that the government's trade policy further confirmed its traditional pro-industry bias. It was the industrial sector that had caused the problem of trade imbalance between Taiwan and the U.S., but the agricultural sector was being singled out as the export sector's sacrificial lamb. The deep sense of frustration and betrayal, coming at a time when Taiwan's governing political authority was loosening its hold of the reins of power, burst into three huge demonstrations in the space of six months. In December 1987, more than 3,000 fruit farmers went to the Legislative Yuan to protest the plunge in fruit prices caused by imports. The following March, an estimated 4,000 farmers with diverse backgrounds (including rice farmers and chicken, hog, fruit, and tobacco growers) held a massive street demonstration in Taipei in advance of the coming round of U.S.-Taiwan negotiations in April. They were joined by such sympathiz-

11. *Zili zaobao* [Independence morning post], April 27, 1991, p. 5.

12. *Zhongguo shibao* [China times], December 16, 1993, p. 6.

13. Workers and civil servants have been covered by government-sponsored health insurance programs since 1950 and 1958, respectively. After much debate and delay, the farmers' health insurance was put on a trial basis in 1985 in 41 towns and villages. But, due to concerns about budgetary costs, the government was reluctant to extend coverage to others.

ers as college students, environmental groups, social activists, and members from two opposition parties, the Labor Party and Democratic Progressive Party (DPP). The protests drew strong sympathy from across the country but produced no concrete results from the government. More people were mobilized in response, and the protests and demonstrations culminated in a massive, 5,000-farmer street rally in Taipei on May 20. By that time, the focus of the farmers' protest had expanded from import policies to a seven-point proposition seeking fundamental changes in government agricultural programs and policies.¹⁴ But the street action turned violent and became Taiwan's bloodiest incident in over 40 years as the demonstrators and their sympathizers clashed with riot police in the streets. Over 100 people were arrested and many were subsequently sent to prison.

Did the protests make a difference? Did farmers and their organizations enhance their power and position in domestic decision making? Was there any change in agricultural policy as a result of the protests? The irony of these short-lived political actions was that the farmers probably won the battle but lost the war. The outburst of anger and frustration pushed various agricultural issues to the forefront. They forced the government to take immediate action on some programs that had been delayed for years, but it undertook no significant policy reversal nor made any concessions. In fact, the 1990 decision to apply for GATT/WTO membership indicated that the government was willing to pay the price of trade liberalization and market opening in its pursuit of international recognition, despite the potential fallout for the agricultural sector. Furthermore, under the 1990 Integrated Agricultural Adjustment Plan (IAAP) proposal that served as the agricultural program in the Six-Year National Development Plan (1991–97), the Executive Yuan set agriculture to a 0% growth rate. It also proposed to transform Taiwan's agricultural sector from a protected, traditional industry to a technology-oriented, market-driven sector operating in an open, liberalized environment. The IAAP's aim was to treat agriculture as a normal economic sector with no special state protection; to stay competitive in the liberal market order, farmers were forced to streamline production and enhance quality and productivity.

Apparently, the spirited opposition from farmers failed to sway government trade and agricultural policies. The government's confidence in confronting farmers and discounting their seemingly vigorous campaigns derived from keen observation of the problems underlying the farmers' movement

14. The demands included: extending the health insurance program to all farmers; removing government taxes and intervention in the fertilizer market; enhancing the purchase price for rice; changing the election processes for general managers in farmers' associations and presidents in irrigation associations; lifting the ban on farmland sales; and the establishment of a Ministry of Agriculture.

and skillful manipulation of these weaknesses. Problems were most evident in three areas.

First, in 1988, as inexperienced protesters tried to build their own mobilization networks and bypass the existing KMT-controlled farmers' associations, outside political groups provided much-needed logistical and organizational support. The efficiency and effectiveness needed to organize several mass rallies within a six-month period were clearly beyond the skills of ordinary farmers, and would not have been possible without assistance from other political entrepreneurs. Between 1987 and 1988, three major groups took part in farmers' political movements: local politicians (mostly from the DPP), college students and intellectuals, and professional social activists, all with different motives and political objectives. These outside groups brought in their own political agenda along with their expertise when they joined the farmers' campaigns. At that time, most were in the periphery, rather than at the center, of political action. By involving themselves in agricultural issues, these political entrepreneurs sought to expand their own power bases and gain grassroots support for their own causes in the post-martial law era in Taiwan.

The convergence of these diverse forces in 1988 quickly transformed the nature of farmers' actions from *anti-policy* protest to *anti-state* protest, for the latter was the common denominator among the different forces. As the tenor of the grievances was escalated and directed toward the state, the original goal of farmers' movements became increasingly politicized. A showdown with the police—a symbol of the state—became almost inevitable by May 1988. But after the bloody showdown, many farmers at the grassroots level were either appalled by the violence or feared further government roundups. Either way, they became disillusioned with the new political tactics and by what they might accomplish. The protests would also prove to have a more long-term effect. Statistics in subsequent years showed that agricultural imports in the most contentious areas, fruit and turkeys, were not as damaging as farmers first thought. The perception that the farmers had overreacted limited the appeal of their cause for the public. As the legitimacy and credibility of the movements were cast in doubt, farmers lost ground in their campaign for change.

Following the May 1988 incident, many political entrepreneurs after having gained name recognition moved on to pursue their political careers in provincial and national levels through opportunities opened up by the lifting of martial law. But the unorganized and underfunded farmers did not shift their battlegrounds from the streets to the newly empowered Legislative Yuan. In the absence of effective and extensive lobbying, though agricultural issues and farmers' problems have received strong verbal support from legislators, that support has never materialized into concrete plans or action. Evi-

dently, farmers remained hamstrung by their traditional weaknesses in forming political organizations in the post-martial law area. The attempt to evade the KMT-controlled farmers' associations ironically made farmers the captives of other political interests, and might have contributed to the radicalism and violence of 1988 that further alienated those who had not gotten involved.

The farmers' second problem was that their weakness in creating political organizations was aggravated further by internal division, a result of economic diversification in the farming profession. In the 1960s, rice was the dominant crop in Taiwan, accounting for 40% of the agricultural production value. Since then, its economic significance has diminished substantially. By the late 1980s, rice (17%) trailed well behind the fastest growing sectors, livestock (40%) and fruit/vegetables (28%), in the share of production value.¹⁵ As a consequence, Taiwan's farmers had come to comprise two subgroups: traditional rice farmers and emerging fruit and livestock farmers.

Though rice farmers accounted for the majority of farmers in Taiwan, most were engaged in agriculture only part-time. Generally, they were older, under-educated, and politically passive and conservative. Fruit and livestock farmers, on the other hand, were younger, better educated, and closer to the image of capitalist entrepreneurs than that of being provincial farmers. They were more informed about the market and were quite sensitive to price fluctuations because of the significant amount of investment and risk involved in their farming operations. Although they constituted a smaller share of farming households, they were politically active and very vocal about their grievances. In fact, they initiated and participated in most of the protests and demonstrations of the 1980s.

The two groups shared in both their discontent with government agricultural policies and the desire to improve their economic fortunes. However, they had different attitudes toward farming and farmland policy. Rice farmers, who saw rice farming as unprofitable but realized that the land they owned might be worth a fortune if sold for commercial or industrial use, wanted to leave farming altogether. They insisted that the government ease restrictions on farmland transactions. But fruit farmers, who grew tropical and subtropical fruit along mountain slopes, and livestock farmers, who invested large amounts of money in building hog or chicken farms, were interested in creating a more favorable "business" environment. The differences in their concerns and approaches led to an internal division in the farmers' protests.

15. Sophia Wu Huang, "Structural Change in Taiwan's Agricultural Economy," *Economic Development and Cultural Change*, 42:1 (1993), pp. 44-47.

Fruit and livestock farmers' concerns about U.S. imports made them a natural ally of left-wing intellectuals endorsing anti-U.S. and anti-imperialist ideologies. Rice farmers, who suffered from the KMT's agricultural policy, gravitated toward local DDP activists. Interventions by these political forces further reinforced the cleavages. In the wake of May 1988, fruit farmers formed the Farmers' Alliance and rice farmers the Taiwan Farmers' Rights Association. But neither have made significant inroads in the KMT's rural strongholds, as can be seen by the poor performances of the candidates they supported in subsequent elections.

Finally, farmers' movements suffered from ill-defined goals and expectations. The movements' lack of accomplishment was in part due to not having a clear vision about goals. An analysis of the banners, posters, and slogans used throughout the demonstrations leaves one with the impression that most of the farmers were still conditioned by their traditional state-dependent mentality. By expressing their misfortune and distress with metaphors of death, slavery, and injustice, farmers essentially made emotional appeals, hoping that government would fulfill its moral obligations as a caretaker for the farmers. The mentality underlying this approach viewed the state as an enlightened, benevolent leader—an authority that would grant them mercy and favor.

Nevertheless, for decades, it was believed that troubles in Taiwan's agriculture began with government intervention. The KMT's firm grip on agrarian politics and government manipulation of policy factors made Taiwanese agriculture essentially a subordinate sector with only an instrumental value in supporting the government's other "more worthy" goals: first industrialization in the 1950s and 1960s, followed by managing diplomatic relations' with the U.S. in the 1980s. Politico-economic objectives were often pursued at the expense of farmers. Given an interventionist government that has traditionally ignored farmers, were the farmers realistic in trusting the government for "benign intervention?"

Some farmers believed that they must limit the government's role in agriculture to regain economic autonomy and independence, while others preferred to see a state actively fulfilling its moral duty. The seven requests made by farmers in May 1988 reflected this mix. Some called for less state intervention (e.g., in farmland sales, fertilizer markets, and elections of farmers' organizations), while others sought the exact opposite (e.g., in the rice purchase program, the farmers' health insurance program, and the enhancement of the COA's status). Conflicting expectations over the state's role raised a fundamental question about the ultimate goal of the protests: would farmers be satisfied with small favors and instant gratification from the government, or would they continue to look for major political engineering and structural overhaul to reclaim their independence in economic initiatives?

The legacy of the farmers' traditional political culture probably made one choice more obvious and attractive than the other, but it also limited the breadth and depth of their political influence.

As discussed below, the government subsequently responded to farmers with small favors of various forms but conceded nothing on fundamental issues. The decisions to join GATT/WTO, the pursuit of the IAAP, and the plan to scale down agricultural employment to 3% in 10 years by moving an estimated 700,000 or 800,000 farmers out of the farming sector,¹⁶ indicated that the government was determined to pursue agricultural retrenchment, or a de-farming policy. Contrary to farmers' wishes, moral obligation gave way to principles of economic efficiency and cost effectiveness. Agriculture's ancillary position in the economy was cemented despite the protests.

Domestic Bargaining after 1988

The farmers' demonstrations did change the government's position of "interventionist negligence," at least for the short run. The anger and frustration displayed made it impossible for the state to implement further retrenchment simply by decree; hence, a repertory of tactics was used to appease farmers while allowing the government to continue its de-farming practices.

Side-payments

First, to ease the tension, the government resorted to the tactic of making side-payments. As a form of direct or indirect compensation, the side-payment is often explained as being a measure to alleviate grievances. Several measures that could be conceived as side-payments were adopted shortly after the farmers' protests; some were in answer to the seven propositions made in May 1988.

In July 1988, then-Taiwan Provincial Governor Chiu Chuang-huan announced that, beginning in October 1988, the government would provide a comprehensive health program for all farmers. It would be open to all members of the farmers' associations. The members would pay 40% of the premiums, the government 50%, and the farmers' associations themselves the remaining 10%. Twenty-five years had passed since the issue was first raised in the Taiwan Provincial Assembly in 1963. The farmers' anger indeed hastened the change. However, the program ran a deficit from day one, with the old age of the farmers and lax conditions on eligibility being primary contributing factors. By 1993, although the number of farmers was estimated at 1 million, 1.6 million people had joined the insurance program. The program's

16. It was suggested by Vincent Siew, chairman of the Council for Economic Planning and Development. See *Lianhe bao* [United daily], June 28, 1994, p. 2.

accumulated deficit soared to NT\$ 35 billion.¹⁷ The Executive Yuan decided not to adjust the premiums for fear of antagonizing farmers and paid for the shortfall.

In 1989 the Executive Yuan, responding to pressures from the first popularly elected Legislative Yuan, approved a plan in 1992 to increase the amount of rice purchased by 20% and increase the purchase price as well. It was estimated that additional NT\$ 1.5 billion was needed to implement the project. Additionally, the government phased out irrigation fees and has fully subsidized the cost since fiscal 1994. Prices for fertilizers were frozen after the 1988 protests. Although the state-operated Taiwan Fertilizer Corporation requested a modest 6.7% price increase in 1993 due to soaring production costs, the MOEA postponed the price hike under pressure from the Legislative Yuan.

In December 1988, the COA had announced that farmers suffering losses due to agricultural imports would qualify for import relief. New legislation was drafted and submitted to the cabinet. Cash payments and other kinds of assistance were parts of the compensation program. In 1993 the government proposed to appropriate NT\$ 1 billion in a six-year renovation project for some rural villages. Forty so-called *fuli* (prosperous and beautiful) villages were initially selected for this program, which would modernize their infrastructures and recreation facilities to narrow the gap between urban and rural areas.

However, despite these programs, it is clear that the "generosity" of the Executive Yuan had its limits. Not all projects earned its blessing. For instance, the crop insurance programs and direct payments intended to provide additional benefits to farmers that were proposed by the COA in 1991 stalled in the Executive Yuan due to their potential costs. It appeared that the government was trying to placate farmers with minimal, selective concessions. This strategy can be seen most clearly in the policy making process surrounding the monthly stipend for the elderly farmers. The idea was first proposed as a retirement stipend for farmers in 1990 and a task force was formed to study the issue. But in the next three years, it met only twice. In October 1993, months after another symbolic rally by farmers commemorating the fifth anniversary of the 1988 demonstration, both President Lee Teng Hui and Premier Lien Chen indicated that the administration would propose legislation by the end of the year. However, the deadline came and went. In August 1994, the government announced that, due to the potential cost and burden on the budget, it would have to abandon the idea.

17. It was estimated that there were only 1 million farmers. *Taiwan ribao* [Taiwan daily], January 28, 1993, p. 2.

After much debate and pressure from some members of the Legislative Yuan, as a compromise the Executive Yuan proposed to provide a monthly stipend only for elderly farmers in need. This governmental bill, supported by the KMT, would have limited significantly the number of qualified farmers and hence the expenditures. During legislative deliberations, the opposition parties (the DPP and the New Party) together with some KMT defectors representing the rural interests suggested that the stipend be given to all farmers regardless of need. The KMT vehemently opposed this idea. In May 1995, the coalition nonetheless successfully out-maneuvered the KMT in the legislative battle to eliminate most restrictions on the eligibility for stipends. The Executive Yuan initially raised the stakes and asked for a legislative review of the issue, but in the end it acquiesced and reluctantly agreed. As a result, an estimated NT\$ 20 billion was added to the yearly cost of the program.

The use of these side-payments evidently represented the Executive Yuan's response to the farmers' call for the government to fulfill its moral obligations. However, to project a loving and caring image through monetary compensations puts an extra burden on the government budget. Therefore, in an attempt to minimize these financial burdens while maintaining its responsive image, the Taiwan government explored another less expensive option—pursuing ideas with an appearance of integrative arrangement.

Integrative Arrangement

The idea behind integrative arrangement is to integrate opposing needs and demands by creating innovative agreements that can satisfy both sides. As a means of obtaining joint benefits from divergent positions, integrative arrangements attempt to bridge differences and promote common interests for everyone involved. In the case of Taiwan, some agricultural policies might, on the surface, appear to benefit both agricultural and nonagricultural sectors; however, close analysis shows the distribution of benefits to be either limited for, or skewed against, farmers.

Farmland release. After the land reform, severe restrictions were put on farmland transactions. Farmland must be transferred between farmers and used for agricultural purposes; it cannot be diverted to other uses. As of 1995, farmland accounted for 24.3% of the total land in Taiwan; that zoned for industrial, commercial, and residential use occupied only 7.6% in total. The farmland share is much higher than that of many other Asian economies such as Hong Kong (15%), Malaysia (14.9%), and Indonesia (17%).¹⁸ Re-

18. *Zhongguo shibao* [China times], April 5, 1997, p. 11.

strictions have made industrial and commercial land quite expensive in Taiwan.

To circumvent the ban, it was reported that many financial interests had already obtained deeds to valuable farmland close to urban areas by taking advantage of existing legal loopholes. After establishing control, they pushed for rezoning and converted the land to nonfarm use, which resulted in huge profits. Farmers who sold land became rich overnight. Such stories have encouraged many farmers to believe that they are sitting on gold mines and so they are more than willing to cash in on their fortunes by selling the land. As a consequence, a push for change in the laws governing sales of farmland was made a top priority in the farmers' movements in 1988, especially for rice farmers.

After much deliberation and debate, on July 27, 1995, the Executive Yuan approved the Farmland Release Program to ease restrictions on farmland rezoning. Under this program, a total of 160,000 hectares of land that was polluted, low-producing, or in coastal subsidence areas was targeted for release to nonfarm use. By lifting or easing the restrictions, the government sought not only to appease farmers but to serve industrial and commercial interests as well. Although this was seen as a farmer's dream come true, it is doubtful that many will benefit from it. The high land prices were originally caused by tight control of supply. By lifting the controls, the increased supply of land might actually depress land values and potential profits for farmers. In addition, the proposed windfall tax on huge profits, allegedly designed to cut down potential profits for big financial groups, could also take away capital gains from ordinary farmers.

The measure's real beneficiary could be commercial or industrial interests, who can obtain land at much lower prices. Builders and developers are less interested in farmlands released from the program since they are generally far from other living or commercial facilities; their prime targets are the quality farmland at the periphery of the cities. Consequently, they continue to push for total release and free transaction of all farmland. If they succeed, it could lead to further de-farming of Taiwan.

Farmer migration. To effectively reduce the number of farmers in Taiwan, the COA in the early 1990s proposed encouraging farmers to emigrate to other countries. At various times, the destinations proposed included the former Soviet Union, mainland China, and other Southeast Asian countries. Modeling its earlier strategy on the "agricultural diplomacy" that sent technical missions to many poor African states in the 1960s and 1970s in exchange for diplomatic support of Taiwan, the Taiwanese government resorted to these tactics again for a variety of reasons. First of all, it was hoped that it could deal effectively with, if not eliminate totally, the agricultural sector's

problems by significantly reducing the number of farmers in Taiwan. Migration would resolve these problems much more quickly than aging or retirement. After migration, the government could easily readjust the amount of resources spent on the agricultural sector. Additionally, the government hoped migration would accomplish other diplomatic and strategic goals. The former Soviet Union, South America, and Southeast Asia were mentioned because of their strategic importance to Taiwan, as Taiwan attempted to consolidate diplomatic ties in those areas. It was believed that the agricultural assistance programs put in place in these countries will result in paybacks later in the political arena.

However, encouraging farmers to emigrate is quite different from sending technical assistance overseas. It is clear that most of the older farmers would not be interested in uprooting and moving overseas, while language and cultural barriers might deter most of the undereducated ones. The only potential candidates who might be interested in the idea, and have the capital and expertise to follow through, are large corporate farmers and state enterprises like Taiwan Sugar Co. The idea had only limited appeal.

Ironically, there were also unexpected policy backlashes when farmers invested in mainland China, a place with similar language and cultural backgrounds. Fujian Province has attracted over US\$1 billion in agricultural investments from Taiwan in the areas of vegetables, black mushrooms, and fruit. Farmers on the mainland quickly learned and copied the agricultural know-how offered by Taiwanese farmers and easily moved into cutthroat competition with Taiwanese investors in both the mainland and overseas markets. Additionally, the commodities put more pressure on Taiwanese farmers when exported to Taiwan, given the cost advantages on the mainland.

Nevertheless, from another perspective, it could be argued that by using the opportunity to import agricultural products from mainland China, the Taiwanese government could accomplish several goals at once. First, it would expedite de-farming by pushing "inefficient" farmers out of the market through competition. However, since many agricultural products from China were banned officially in Taiwan and smuggled in, it is the smugglers, not the government, on whom the blame would fall. On the other hand, cheap imports from the mainland could ease inflationary pressure as Taiwan reduces its farms and farmlands. The soundness of the de-farming policy will not be challenged seriously so long as consumers do not feel the pain of rising prices or food shortages.

Recreational agriculture. To preserve the farmers' livelihood and the farming environment and promote appreciation of pastoral experiences in an increasingly industrialized society, the government promoted the notion of recreational agriculture, or agri-tourism. Farmers could open their farms to

city dwellers by converting them to “pick-your-own fruit farms” or “week-end-getaway farm houses.” In this way, agricultural production was combined with recreation and education, and farmers benefited from the additional revenue to supplement their income. The COA began to promote this idea in the 1980s, and with the cooperation of some local farmers’ associations agri-tourism is becoming increasingly popular. An estimated 70 pick-your-own farms are now in the vicinity of Taipei City.

However, critics argue that such models might not be feasible for everyone.¹⁹ To make a farm attractive enough for recreational agriculture, seasonal fruits must be grown year-round; this requires a large-scale operation and huge start-up capital. Otherwise, small-size farms can generate only limited profits. At most, agri-tourism can only be used as a sideline business; it is definitely not a practical solution to the fundamental problems in agriculture.

Conclusion

In Taiwan, the lifting of agricultural protectionism was forced upon the country by external pressures from foreign governments at a time of internal democratization. Cross-cutting pressures from within and without presented a dilemma for the government and limited its ability to maneuver. Domestically, the government ran into stiff resistance as farmers organized massive demonstrations in an attempt to keep their markets protected and subsidies intact.

However, the farmers’ protests had problems. Weaknesses in organization and lobbying, conservative attitudes, and internal divisions all failed to sustain the momentum in their movements. Most importantly, by taking advantage of some of these problems, the Taiwanese government skillfully used side-payments and proposed integrative arrangements to defuse the pressure. In the end, very few concessions were made, while the government moved closer to its goal of retrenchment and de-farming. It might have been inevitable to see a shrinking and diminishing of the agricultural sector’s role in a fast-growing industrial and service-based economy, but the course taken to get there politically was not a straight one.

19. Kelly Her, “Agricultural Amateurs,” *Free China Review* 47:10 (October 1997), p. 31.