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**Continuity and Discontinuity of the Developmental State**  
**A Case Study of Taiwan**

**Ying-Yu Chen**

**A dissertation submitted to the University of Bristol in accordance with the requirements of the degree of Doctor of Philosophy in the Department of Politics, Faculty of Social Sciences.**

**March 2007**

**Word Count: 82,423**

## Abstract

This thesis aims to construct an ideal analytic framework of theoretical polycentricism based on methodological pluralism and reflectivism that can be applied to investigate transformation of the East Asian (EA) developmental states in a globalized economy and a democratic context. The ambition of this thesis is to present a more comprehensive account than those in reductionist (state or society centric) paradigms. This purpose was approached by expanding Mann's ideology, economy, military, and politics (IEMP) model into two meta-theoretical and multi-causal analytic frameworks and a theoretical arrow-diagram. Following these theoretical lines of reasoning, the empirical chapters attempt to verify the theoretical arrow-diagram by utilizing the real world laboratory, the case of Taiwan, and to test the validity of the hypotheses for inferring elements of continuity and discontinuity in the EA developmental states by sequential comparisons of two power configurations.

The expansion of Mann's IEMP models can be justified on ontological, epistemological, methodological and empirical grounds. At the ontological level, the expanded model allows for reformulated poly-centric, meta-theoretical and multi-causal analytic framework. At the epistemological level, the expanded model comprises convergent and divergent realities by utilizing evidence of deductive materialism, rationalism and inductive idealism and reflexivity. At the methodological level, the ontological and epistemological purposes are concretized by analytic tools that go beyond structure and agency, the endogenous preferences of calculative rationality and account for ideational reflectivity or indigenous preferences in a diachronic period. At the empirical level, the IEMP model helps unpack the Taiwanese developmental state and identifies the politics of warfare, workfare and welfare to construct an institutionalized duality of its state's core overarching and infrastructural capacities for its rejuvenation. Therefore, the expansion of Mann's IEMP model preserves the Weberian's merits of the bureaucracy, reminds us of the risks of partisan politics, highlights the dynamics of capitalist development and the international system, and emphasizes the importance of reflexivity in civil society. It also contributes a more comprehensive analytic framework for both theories of the international relations and developmental state studies, and also to convergence and

divergence paradigms of IR and IPE theories.



## Acknowledges

There are a number of individuals that I wish to thank for their support and assistance in the completion of this thesis. First of all, I owe a particular debt to my supervisor, Andrew Wyatt, for his consistent tolerance and commitment to the highest professional standards throughout the course of my PhD. Without his invaluable guidance and inspiration this thesis would have not been completed. He has been more than my supervisor and academic mentor, he has become a dear friend.

I also wish to thank Prof. Richard Little and Dr. Matthew Watson for their insightful commentary and criticism on my thesis. Their suggestions initiate me to revalue my thesis in a more profound manner. I am greatly indebted to the Department of Politics at the University of Bristol for offering me a postgraduate research position. I was benefited and impressed by the academic environment it provided during my stay.

Finally, I would like to thank my parents, my husband, my brother, my sister and my babies-Wei and Shih, for believing in me, and encouraging me to finish this thesis. I am extremely fortunate to have the warmest family in the world that supports me to go through the difficulties in my life. Without this source of motivation, this thesis would have not been possible.

## Author's Declaration

**I declare that the work in this thesis was carried out in accordance with the Regulation of the University of Bristol. The work is original and no part of the dissertation has been submitted for any other degree.**

**Any views expressed in the dissertation are those of the author and in no way represent those of the University of Bristol.**

**The dissertation has not been presented to any other University for examination either in the United Kingdom or overseas.**

**Signed:**

**Date: 7th March 2007**

*Ying-Yu Chen*

**Ying-Yu Chen**

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# CHAPTER ONE

## Introduction/background

In the past four decades, the four East Asian countries, Hong Kong, Taiwan, Singapore and South Korea, have been celebrated for their “extraordinary rates of economic growth, which moreover had been consistent with a relatively egalitarian distribution of income” (Onis, 1991:109). They are described as the East Asian Newly Industrial Countries (EANICs) and East Asian (EA) ‘developmental states model’ in the extensive existing literature.<sup>1</sup> However, many recent works on liberalism and globalization make claims that the cornerstones of the EA developmental state model have eroded, and will inevitably be dismantled in a more intensively integrated global market. Further, these two trends suggest that the EA developmental states model is destined to perish in an era of economic globalization and the new international economic regime of the World Trade Organization (WTO).<sup>2</sup>

In the orthodox EA developmental states model, the abilities of these EA developmental states to discipline and dominate business and civil society have been based on their strong dominance over the economy and crucial forces that allow the control of key goods, access to which the private sector and civil society have depended on (i.e. Chan *et al*, 1998; Chang, 1999; Gordon *et al*, Haggard, 1990; Johnson, 1987, 1999; Onis, 1991, 1988, Woo-Cumming, 1999). As Leftwich notes, the developmental state model could be defined by six major components: “(i) a determined developmental elite; (ii) relative autonomy; (iii) a powerful, competent

---

<sup>1</sup> The orthodox developmental states theories can also be seen in many empirical case studies as followed: Zhao & Hall, 1994; Haggard, S. 1994; Louis T. *et al.*, 1982; Dent, 2002, 2003a, 2003b; Akyuz Y., *et al.*, 1998; ; Diamandouros & Johnson, 1986; Jenkins, R.1991; Heginbotham & Samuels, 1998; Sindzingre A., 2004; Wad, P., 2004; Weiss, L., 1994, 1995, 2000; Wade, R., 2000, 2003; Thobecke *et al.*, 2002; Chibber V., 2002; Kwong, K-S. *et al.*, 2003; Smith H., 2000; Thorbeck E. & Wan, H., 1999; Woo-Cuming M.(ed.), 1999; Dwyer G., *et al.*, 2003; Winn J.. 1994; Onis Z., 1991; Left A.. 1994; Brodsgaard K. & Young, S., 2000; Kwong, K.,*et al.*. 2001; McBEATH G, 1998; Waldner D., 1999; Macintyre, A., 1994; Cool I., *et al.(eds.)*, 1998; Bloch H, & Kenyon, P. (eds.), 2001; Fields K., 1995; Drysdale P. (ed.), 2000; Klintworth G. (ed.), 1994; Xia M., 2000; Martin W., 1990; Hoesel, R., 1999; Chia S., 1997. Doner R., *et al.*,2005; Cheng T. & Chu, Y., 1999; Polidano C., 1998.

<sup>2</sup> See Pirie I., 2005; Huang, C., 2002; Lee, P., 2002; Wang V., 2000.



and insulated economic bureaucracy; (iv) a weak and subordinated civil society; (v) the effective management of non-state economic interests; and (vi) repression, legitimacy and performance” (Leftwich, 1995: 405).

However, the state autonomy in these states is by no means *relative* but in an absolutely *full* sense in the existing literature (Brodsgaard and Young, 2000).<sup>3</sup> It must be a *strong* state with a high capacity to penetrate society, regulate relationships, extract and appropriate resources in determined ways (Midgal, 1987, 1988, 1994, 1997). Therefore, since the early 1980s, the starting positions of these non-democratic EA developmental states are all attributed in the category of “strong state” and “weak society” in the extensive literature (see Burmeister, 1986; Leftwich, 1995; Migdal, 1988, 1994, 2001; Onis, 1991; Skocpol, 1985; Weiss & Hobson, 1994; Weiss, 1997, 1998, 2002, 2003).

From the 1990’s onward, the EA developmental states theory been more assertively fitted into the “bringing the state back in” approach. The determinants of their rapid economic developments have been simplified into three major variables: *strong state autonomy, high state capacity and premium institutionalized mechanism design between the strong state and strong society* (mainly refer to private sector) in these states (i.e. Dent, 2002; Evans, 1995; Skocpol, 1985, Wade, 1990; Weiss, 1997, 1998, 2002, 2003; Woo-Cumming, 1999). In this sense, the EA developmental states theory is reduced to a deductive model which focuses on exploring how the state steers the private sector to achieve rapid and steady economic growth.

This approach to the developmental states also implies a vertical state-society relationship. As such, it echoes modified neo-realism (i.e. Gilpin, 1987, 2001; and see Hobson, 2000, 2002), neo-mercantilism, neo-statism and state theory of *the first-wave neo-Weberian historical sociology* (i.e. Evans, 1995; Skocpol, 1985; Weiss, 1998,

---

<sup>3</sup> As Brodsgaard and Young (2000) identify: “it is basic to the idea of the ‘developmental state’ that the state has sufficient autonomy to impose the ‘right’ policies on industry, and to prevent social demands, or the immediate indications of market forces, from getting in the way. ” (Brodsgaard and Young, 2000: 2).

2002; and see Hobson, 1998a, 1998b, 2000, 2002a, 2002b). In the mean time, the economic successes of the EA developmental states provide strong empirical justifications and validity for these related state determinant neo-realists.

Figure 1.1 reveals the analytic framework and hierarchic configuration of the “bringing the state back in” approach in which civil society and the capitalist class are reduced into dependent variables, dominated by the state. The state as a unitary unit conforms to international anarchy and competitiveness (Skocpol, 1985; Weiss, 2003). These related approaches are fundamentally setting out from a state-centric reductionism and structuralist position, despite their wish to ‘bring society or private capital back in’ (i.e. Evans, 1995; Weiss, 1998). What they attempt to do is utilize these extra-political factors to provide a ‘balanced-look image’ and legitimation for the state-centric cage that still limits and constrains the boundaries of non-political or extra-political factors. I have mapped the common concerns, theoretical inferences and linearly deductive logics of these approaches in the Table 1.1.

### **International Anarchy and Competitiveness**

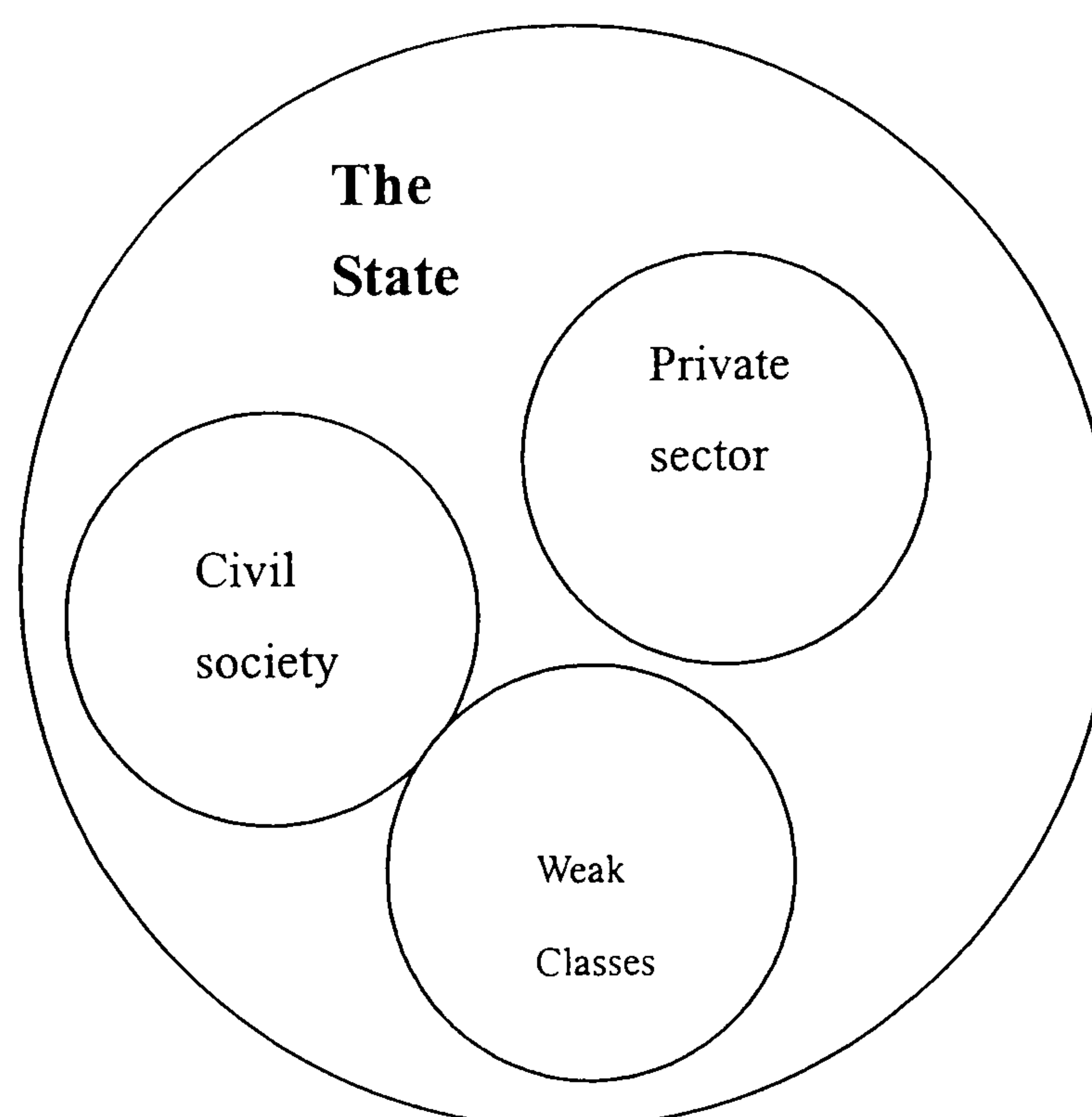


Figure-1. 1 Analytic Framework of “Bringing the State Back In” Approach.



Table-1.1 Summary of Neo-Statists and Neo-Institutionalists Theoretical Frameworks

	Resources of State Autonomous Power	Key Independent Variables	Key Dependent Variables	Organic Interrelations	Outcomes : (Actual principal area of investigation).
Jonhson (Classical Developmental State Model)	a. Authoritarian regime with resources controlled capacity and different means of policy tools.	a. Strong autonomy of the state. b. High capacity of the governmental bureaucratic system .	a. Economic growth in the state.	a. Weak private sector protected, led and dominated by the state. b. Top-down leadership of the state.	High economic growth and performance. (export sectors)
Skocpol (‘Bringing the State Back In’)	a. Needs rooted in geopolitical factors and dynamic of international inter-state systems. b. Domestic responsibilities for law and order.  c. Insulated political managers. d. Periods of crisis.	a. Strong autonomy of the state. b. High capacity of the governmental bureaucratic system.	State capacity from conforming to anarchic and military competition.	a. Class, private sector and civil society are deemed as ‘fettters’ and intervening variables to the state. b. Top-down leadership of the state.	The more autonomy of the state the more capacity for it to discipline the domestic ‘fettters’ and prevent conforming to anarchy and military competition- (investigations in agricultural policy, social revolutions and export sectors in definite countries).
Wade (Governed Market)	Authoritarian regime with resources controlled and different means of policy tools.	a. Strong autonomy of the state (political elites). b. High capacity of the governmental bureaucratic system .	a. Economic growth. b. High efficiency of both government and private sector.	a. Weak private sector protected, led and dominated by the state. b. Governed the market by ‘set the wrong price’ and ‘channel the right way’. c. Top-down leadership of the state.	High economic growth and performance. (investigations in export sectors).
Mann (Polymorphous State)	a. Necessity. b. Multiplicity of functions. c. Territorial centrality.	a. Less despotic (autonomous) power. b. Mainly infrastructural power.	The degree and scope of the state to penetrate its civil society and consolidate its territoriality.	a. Mutual shaping between the state and society. b. The interactions between overlapping ideological,	Strong state infrastructural capacity and penetrated society (Competitive state in globalization).



				economic, military and political (IEMP) power networks.	
Evans (Embedded Autonomy)	Taken for granted institutional arrangements, linkages and mechanisms.	Embedded autonomy of the state established on the networks ties with 'husbandry' and 'midwifery' policy to bind the state and society allies.	The comparative advantages of the private sector to participate in the global market.	a. Top-down leadership of the state to promote competitiveness of domestic enterprises in the global labour division and market. b. Negotiation and communication between the state and private sector, for the purpose of implementing the state policy.	State industrial and economic transformation (investigations in exported, advanced and electronic enterprises).
Weiss ('GI' Model )	a. Taken for granted institutional arrangements, linkages and mechanisms. b. Policy instrument and tools (especially refers to financial and monetary policy tools).	a. The capacity of the state to initiate, lead and steer the private sector to new niche sector in advanced technology. b. The state capacity to coordinate, select, and discipline the private sector.	A new emergent , competitive private sector in the global market.	a. The economic goals set and monitored by the state. b. The state leadership is either exercised directly by the state or delegated to the private sector. c. Top-down leadership of the state.	State industrial and economic transformed capacity to innovation and advanced technology- (investigations in advanced electronic enterprises and financial institutions and policies).

However, the central themes of the orthodox EA developmental state theory and its revisions confront theoretical, empirical and methodological impasses and challenges, especially as the global market integrates more intensely and as the internal civil society and private sectors become more robust and assertive. At a theoretical level, the theoretical genesis of the orthodox EA developmental states models and revisions set out from perspectives of economic competitiveness and performances of these countries, and highlight how these states survive in the international anarchy and competitiveness in terms of their distinctive institutional arrangements. They reduce



the major independent variable to the determinant role of the state to provide parsimonious causal inference models.

Therefore, these models are state-centered and make overly strong assumptions about the behaviour of self-interested governmental bureaucrats. These theorists have established a distinguished divergent model and theory from normative state theory and theories of the development of capitalism for explaining the economic performances of these EA developmental states. Their approaches to the EA developmental states have also provided detailed investigations into policies and institutional prerequisites in these states. However, these models may actually be too one-sided from the angle of the state to elucidate their vulnerabilities in the face of globalized capitalism or account for changes in social forces.

Moreover, analyses within the extensive literature are largely descriptive and empirical ones and put much weight on the effectiveness of the state capacities. They are concerned more with ostensible economic accomplishments of these EA developmental state rather than the changes inside these states (i.e. Dent, 2002; Johnson, 1987, 1999; Wade, 1990; Weiss, 1998, 1999, 2000, 2002; Woo-Cumming, 1999). At a more profound level, the neo-Weberian approach to bureaucratization in the EA developmental states does have radical implications for their institutional rationality and privileges material over ideational forces, however this approach also exhibits a subterranean reductionism, rationalism and materialism. However, the transformation of one state is never a simple process. These theoretical approaches do not illuminate the transformations experienced by the EANICs.

At an empirical level, since the theoretical discipline of the EA developmental states theory has for so long been preoccupied with stasis and continuity on long-term of over- social-mobilizations, therefore, it cannot account for the incapacity of the EA developmental states to effectively intervene in the market as usual in globalization. These theories do not suggest a persuasive explanation for the dismantling of the core capacity of these states. They only observe that there is a divergence from the previous model (see Dent, 2002; Wade, 1998, 2000; Weiss, 2002; Woo-Cummings.



1991).<sup>4</sup> In this sense, the EA developmental states model can only exist in a variable-controlled vacuum where the spatio-temporally fixed variables, such as the international environment, global production system, geo-politics, and domestic political system and civil society are constant and static as preconditions. However, in the empirical laboratory, these preconditions could not be possibly controlled.

At a methodological level, the major methods to operate these models succumb to the pitfalls of state-centric reductionism and deductive parsimony in which political change is confined within the context of a definitive set of rules and regularities that remain essentially static over time. These models usually work on the basis of static comparisons between two punctuated stasis periods of time. However, they still can not provide suffice evidence to improve its generality to other different spatial-temporal cases (i.e. Evans, 1995; Weiss, 1998, 2000, 2003, and also see Chiu & Lui, 1998). They overemphasize the institutional arrangements and policies of the state, and the path-dependent legacy that are trans-historical givens transmitted from the past and assert they will be bequeathed to the future. Methodologically, it is a synthesized approach of ‘historical and rational-choice institutionalism’ (see Hall & Taylor, 1996; Hay & Wincott, 1998) in a material-rationalist framework.

As Johnson (1987) admits there are methodological problems in using intentional government intervention as the central explanatory factor for economic growth as it will preclude the causal factors other than governmental policy, failure to recognize long-term trends, and incur the possibility of mistaking random fluctuations for intentional results (Johnson 1987:146 cited in Moon & Prasad, 1998). He further points that the “inferring direct causal relationships between intentional government intervention and economic performance over time could be a risky and presumptuous undertaking” (Moon & Prasad, 1998:14-5). In addition, as Woo-Cummings acknowledges, their renewed explanation of EA developmental states model is

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<sup>4</sup> Instead it attributes the state’s retreat from some part of the economic realm as a consequence of the “empowerment of a new kind of bureaucrat” that have American Ph.Ds and are ideologically influenced by liberalism and democracy as in the South Korea case (Dent, 2002: 42; Weiss, 2002: 33-37; Woo-Cummings, 1991: 191-2) or caused by reasons of “departing from the Asia model” and “the inner wheels of national politics and class” (see Wade, 2000: 108).



“concerned less with causality and predictability than with the totality of the Northeast Asian experience” (Woo-Cummings, 1999:3). She emphasizes that “the boundaries of the general and the particular and of the predictable and the contingent are far from clear, and the interaction among them is so profoundly complex that we cannot, in the end, apportion the totality of a historical experience into neat causal categories. We seek instead what Hegel meant by the metaphor of the Owl of Minerva: a full understanding of where we have been” (Woo-Cummings, 1999:3). As such, research methods employed by the deductive state-centered trends do not adequately account for substantial change over time.

For remedying the aforementioned shortcomings and recognizing the realities of increasing power in civil society (referring to the private sector), the revisionists of EA developmental states theory try to make up for the lacuna of linkages between state-society and provide renewed theoretical and deductive models for legitimizing further state interventions. These revisions of EA developmental state theories, particularly Evans’s ‘embedded autonomy’ and Weiss’s ‘governed interdependence’ models, set out from institutionalism and suggest “strong states are typically characterized not only by a high degree of bureaucratic autonomy and capacity, but also by the existence of a significant degree of institutional interaction and dialogue between the state elites and autonomous centers of power within civil society” (Onis, 1991: 123). They also try to find evidence even in a ‘strong society’, that the state can still play the directive role of pilot through its distinctive capacity and institutionalized state-business cooperation. It also suggests the state can do a particular job that the private sector cannot do in the international competitive market. That means these approaches are substantially state-centric and advocate neo-mercantilism. However, these revisionists’ models, emphasizing the particular institutional arrangements in the EANICs, still can not provide sound justifications for how their ‘frozen snapshot’ revised models can contribute to provide generalized applications over time (see Chiu& Lui, 1998:152-3; Evans, 1995: 247, 1997).



## **Rationale for Research**

### *Problem one: Accounting for Non-state (Resistant) Forces*

This thesis is inspired by the puzzles Peter Evans left in the last two chapters of his book, *Embedded Autonomy*, which concerns the future of EANICs and their developmental states model. In his work, Evans utilizes a comparative institutional approach to investigate relations between state and capital (informatics industries) relations in three developmental states (South Korea, India and Brazil) and highlights their distinctive state-society relations and institutional arrangements that lead to different economic performances. Unlike the orthodox EA developmental states research that desperately argues for the perpetually leading role of the state even in the globalized economy, Evans has conceived the state and private sector symbiosis in EA developmental states to be unstable and not static. Therefore, he reminds us of the limitation on the continuity of the EA developmental states model in globalization and their democratic regimes, and its applications to other areas or sectors. He concludes his approach by offering ideas on how the transformation of state-capital relations would change the basis of subsequent state involvement in the future (see Evans, 1995:234, 246). Accordingly, he suggests the reconsideration of the same dynamics at the societal level is necessary (Evans, 1995:225).

Evans also perceives state-society ties to be vulnerable in the EA developmental states. He asks whether private capitalists will be gradually robust enough to develop their own agenda and reshape the process of industrial transformation. Will this threaten the stability of the state-society coalition? Will these social constituencies that the developmental states help bring into being fulfill “Marx’s vision of the bourgeoisie as calling forth its own gravedigger” (Evans, 1995: 229)? Accordingly, he points out that the dismantling forces in these EA developmental states will come from the bottom of society (labour). He questions whether the primary supporters of the state-the entrepreneurial groups- which are less dependent on the state when industrial transformation are successful will establish alternative alliances such as the international market networks. Actually, Evans has been sensitized to the



methodological ‘snapshot’ problem in his works, disputing general statements by cases sampling and freezing at a particular period of time.

What Evans suggests to prevent this dismantling of state-society relations is to re-speculate on the possibility of expanding the scope of state-society links to include a broader range of groups and classes, to build new ties or ‘joint projects of industrialization’ to other groups and establish a new ‘embedded autonomy’ tie (Evans, 1995: 206-250). However, as a comparative historical institutionalist, Evans does not justify these possibilities from any case of an EA developmental state, instead he provides his empirical evidence by illustrations of left-wing “agrarian communism in the Indian state of Kerala” and “European social democracy in Austria”(Evans, 1995: 235-43). At a methodological level, from the historical institutionalist perspective, the empirical cases using different spatio-temporal fixes cannot provide any validations for the theoretical application of EA developmental states model to other areas.

Thus, neo-statist or neo-institutionalist approaches to the EA developmental states have provided detailed investigations into institutional arrangements and mechanisms in the EA developmental states during their economic take-offs. However, they may actually be too one-sided from the angle of the state and neglect changes in their establishing prerequisites. Moreover, extensive literature and analyses fall into purely descriptive and empirical ones that put much weight on the credit of the state capacities. Nonetheless, we need to come to grips with ongoing processes as well as the new challenges that will reshape the role and status of the states as East Asia’s economies become more mature and its civil societies become more assertive. It is also necessary to consider the resistances to the state. The recent work of these developmental state theorists does not adequately consider the issue of resistant power to the state.

*Problem Two: Failing to Describe and Explain the Transforming Character of the Developmental State-The Case of Taiwan*

Moreover, at the theoretical or empirical levels, little of the existing literature sets out



to explore changes in the resource origins of the major pre-conditional variables in the EA developmental states model or to trace their modes of developments in the globalized economy and democracy in these states. On the contrary, the orthodox synchronic EA developmental states theory and model are taken for granted as *a covering law* or *a historical end* to explain the perpetual state-centric forms of the EANICs, removing them from spatio-temporal geo-political and domestic changes. Therefore, the academic debates concerned with the future and development in these states get caught on dichotomies such as 'state vs. market' or 'realism vs. liberalism'. Therefore, is it reasonable to cast doubt on how these authoritarian 'mono-regime' EA developmental states confront the challenges from globalization and democracy?

I will justify my selection of the Taiwanese case in Chapter Two but in the meantime it is worth summarizing the important transformations in this developmental state that warrant closer scholarly attention. In five decades, Taiwan has experienced three radical political, economic and social transitions. From the political aspect, Taiwan developed from a militarized attack-back base to an authoritarian state, then from an authoritarian regime to a democratic polity. From the economic aspect, Taiwan's economic performance moved from a colonial and agrarian heritage to an authoritarian, resources controlled, and exported-oriented 'economic miracle'. However it has more recently been moving from a developmental (divergent) mode of capitalism to an uncertain mode of capitalist development. From the society level, its weakness and lack of natural resources make it politically and economically vulnerable to be controlled by any intruding forces. However, it has still accomplished the first democratic and direct universal-suffrage system in Chinese-ethnic based society and has developed a diverse, multiple and closely networked society.

Ideologically, Taiwan has developed from a stylized Leninist and military 'police state' dominated by an authoritarian anti-communist regime to a state with fragmented national and plural identities and with freedom to tolerate and preach diversified thinking and ideologies. Economically, Taiwan has developed from a resources-starved and weak agrarian society controlled by a strong state to a pro-capitalist market famous for its high quality IT products and the fourth highest foreign



exchange reserves in the world. Militarily, from the geo-political perspective, Taiwan entered alliances with other North and East Asia states in an anti-communist coalition along the Pacific Rim dominated by the U.S. to a diplomatically isolated state with a precedent military intension and increasing economic interdependence with China. Domestically, Taiwan moved from a militaristic and police state suppressing its civil society and private sectors with inward military power to a democratic state with constitutional legitimacy of protecting basic human rights. And last, politically, Taiwan has made the transition from a limited system of elections to a comprehensive electoral system with universal suffrage. The President, governors and representatives at different levels are all now elected.

### **The Arguments of this Thesis**

For these reasons, the impacts of the integrated global market and new emerging democracy on these EA developmental states have opened up questions about the continuity and discontinuity of their post-war authoritarian model. The general aim of this thesis is to anatomize the original model by re-examining and re-conceptualizing the causal premises and major variables in the orthodox EA developmental states theory. This will enable me to develop a more nuanced analytic model to investigate the overall nature of change of these states and develop my critique of the original model. I will use the real world laboratory— a case study of Taiwan as an empirical litmus test to assess the overall changing nature and validity of the new constructed model. Therefore, this thesis aims to both establish a theoretical model and examine the empirically changing nature in these states.

On the basis of this argument, this thesis rejects the explanation provided by state-centered institutionalism in which the omniscient capacities of the state to *pick the winner, set the wrong price* and *channel the right path* are taken for granted (e.g. Johnson, 1987, 1999; Wade, 1990, 2000; Weiss, 1997, 1998, 2000, 2003; Woo-Cumming, 1999). My thesis also rejects the hierarchic levels implied in the ‘bringing the state back in’ approach. Instead, this thesis proposes that the continuity and discontinuity of the EA developmental states in the future should be understood in



relation to the variations of social forces and resistance to the state. As such, in this thesis, the state and its resistance will be presented as a polycentric constellation of power. Further, this thesis insists the continuity and discontinuity issues in the EA developmental states should not be understood as a dichotomy between *state vs. market* or *realism vs. liberalism*, but should be conceived as a process that comprises both path-dependency and path-shaping in their reproduction and transformation. Addressing this argument will contribute to the construction of more nuanced but essentially more realistic and balanced account of the transformation of the EA developmental states.

Therefore, in developing this argument, this thesis takes an overtly theoretical and classical state theory approach to reconstruct an analytic model that highlights the processes and dynamics of the political mechanisms. Moreover, this framework should be able to apply to reinvigorate EA developmental states studies within the globalized economy and democracy, and simultaneously refer to its resistances. This thesis therefore adopts Mann's prescription of using *the IEMP model* (ideology, economy, military and politics power networks) and uses the conception of *resource of autonomous power* (Mann, 1986, 1988, 1993) to help devise and expand frameworks for the construction of a more sophisticated and dynamic empirical investigation into the transformation of the EA developmental states. My starting point is to problematise the orthodox EA developmental states theory by elucidating and re-investigating the theoretical presumptions and causal inferential logic that underpinning the EA developmental states analysis. Further, I will attempt to re-conceptualize and redefine these critical conceptions in terms of probing the resources of autonomous power held by the developmental states. This will enable me to establish a more elaborate analytic framework, and then apply it empirically in answering the substantive research questions about the continuity and discontinuity of the EA developmental states.<sup>5</sup> Explanations of the continuity and discontinuity in

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<sup>5</sup> In this thesis, continuity means path-dependency on the existing institutional arrangements that were established from past spatial-temporal fix (Jessop, 2000 & 2001; Streeck & Thelen, 2005). It also "implies that whatever change occurs is incremental, iterative, cumulative and unidirectional. Furthermore, it implies that all moments in this gradual or evolutionary process are of equal significance and, hence, an even unfolding of events over time" (Hay, 1999b: 260). "Path-dependency implies that the prior development of an institution shapes current and future trajectories. In



these EA developmental states should not be a zero-sum or dialectic fluctuation but a dynamic process of both path-dependency and path shaping (see Hay, 1999a, 1999b; Jessop, 2000 & 2001; Streeck & Thelen, 2005).<sup>6</sup>

The rest of this chapter concerns the theoretical, empirical and methodological issues found in research of the EA developmental states. I will clarify the conceptualizations of state autonomy, state capacity and their inter-relation since they are the highlighted theoretical points deployed in the orthodox EA developmental states theory and their revisions. I will also reinvestigate these pre-conditional variables and their causal inferential logic, and attempt to analyze academic presumptions about the state's institutional arrangements and political mechanisms through which the EA developmental states are characterized and constituted. Based on these investigations, I will provide critical reflections on them.

The remainder of this chapter is organized into seven sections. The outlining conceptualizations of state autonomy, state capacity and their inter-relation will be in turn approached by the discussions of the nature and resources of state autonomy; problematization of state autonomy in the EA developmental states model; characters of state capacity; reflections on the revisions of neo-institutionalism of the EA developmental state; and the typology of state autonomy and state capacity relations. The last section will provide a synthesized general account of the EA developmental states model and their revisions.

### **Section 1.1: The nature and resources of 'state autonomy'**

It has been noted that *state autonomy* is a theoretical focus and a central cross cutting

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comparison, "discontinuity implies rupture, transformation and an altering of trajectory- a process or processes of change punctuated by reversals, tipping points, turning points or other strategic moments of heightened significance" (Hay, 1999a: 26).

<sup>6</sup> Transformation can be linked to the dialectic of path-dependency and as the product of reflexive path shaping (Jessop, 2001: 1230). The transformation of the state can be the circular between path-dependency on existing institutional legacies to the resistant path shaping from social forces, then following another renewed trajectory reshaped by the resistance of the state.



concern of different approaches to state theory especially statism and neo-Marxism. The former insists that the *complete autonomy of the state* is formed from political pressures and political processes that shape the state form and function (Steinmetz: 1990). To a statist, state autonomy signifies that the “state conceived as organizations claiming control over territories and people may formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes or society” (Skocpol, 1985:9). For Skocpol, the state is a set of administrative, policing and military organizations, whose basic functions of the state are to “maintain order domestically and to compete with the other states” (Hobden, 1998: 3). In other words, state autonomy originates from its uniqueness as an administrative and coercive device noted for its Westphalian territorial sovereignty (see Weber, 1978).

This neo-Weberian-influenced notion of the state and state autonomy significantly underpins the work of historical sociological statisticians including Tilly, Skocpol, Mann (see Hobden, 1998, 1999a, 1999b; Hobson, 1998a, 1998b, 2000, 2002) and the EA developmental states theorists. Also, the state is depicted as an institutional ensemble or structured field of action with a unique centrality in both nation and international formation (e.g. Cerny, 1990; Jessop, 1990: 278; Krasner, 1998; 1999; Skocpol, 1985; Mann, 1986). However, these neo-Weberian statisticians all acknowledge that the strength of state autonomy is spatio-temporally varied.

Conversely, the neo-Marxists set out from a society-centred and class struggle perspective. For them, “many different approaches allow that some degree of autonomy is possible or even necessary and give many ways to conceptualize its ‘relative autonomy’” (Jessop, 1990:85). Even Marxists are quite complex with the variables that could be involved in the different approaches, in that it can still synthesize the *state* as a social relation of domination over the people, and that of class domination. The state, it is purported, prolongs the long-term interests of the capitalist classes and bourgeoisie.

However, throughout the fairly disparate conceptualization of state autonomy, both statisticians and neo-Marxists share one point: they recognize that the degree, scope and



strength of state autonomy are not fixed and may vary according to spatial differences. State autonomy could be diffused, de-centered and de-territorialized (Block, 1980; Jessop, 1990, 2000; Mann, 1983; Miliband, 1983; Skocpol, 1985). To statist, the uniqueness and distinctiveness of the state means it cannot be superseded or evaded by any other social organizations. To neo-Marxists, the relative autonomy of the state is an unavoidable consequence of the capitalist state compromise in class struggles, in order to prolong the interests of the dominant class.

In order to further explicate the substance of *state autonomy*, the remaining part of this section will be organized into two subsections to probe the nature and resources of state autonomy identified by Weberian statist and the EA developmental states model. The first will be presented by contrasting works of two neo-Weberian rationalists, Skocpol and Mann, and outlining their inferential rationale of state autonomy. The second subsection will investigate resources of state autonomy in the EA developmental states model.

#### *1.1.1. Resources of state autonomy in neo-Weberian statist approach*

According to Skocpol, the autonomy of the state derives from (a) needs rooted in geopolitical factors and the dynamic of inter-state systems; (b) its domestic responsibilities for law and order; (c) the activities of political managers-especially career officials- who have weak family or personal ties to the current dominant socio-economic interests; and (d) periods of crisis. The state is conceived as a powerful and independent actor (Skocpol, 1985: 20-1). Following this line of reasoning, the state is conceived as a set of unitary institution with its distinctive goals for competing with the other social forces and interstates system.

Based on the above, Skocpol further concretizes the conceptualization of state autonomy by means of “the autonomous power of the bureaucrats” and “locates elite autonomy among specialized bureaucrats” (Mann, 1993:51). She points out that the self-interested incumbents in the government will integrate into a unitary group and pursue autonomous power to expand their own interests. Thus the autonomy of the



state is pursued via the decision-making behaviors of self-interested governmental bureaucrats. However, the purposes of these elites' self-interested behaviors are envisioned as to maintain order domestically and to compete with other states (see Skocpol, 1979).

Unlike Skocpol, who simplifies state autonomy by reducing it to specialized bureaucrats, Mann focuses more on the uniqueness and functions of the state as a social control organization (Mann, 1988). He suggests that resources of state autonomy should be identified with its characteristics of "necessity", "multiplicity of functions" and "territorial centrality" (Mann, 1988). These characteristics are used to account for the origins and resources of the state's autonomous power. The "state power will coalesce around a combination of political power with economic, military, or ideological power" (Hobden, 1999: 4). Therefore, Mann also claims the state is a unique organization in human history, and is a social development which can concurrently possess the four strong resources of autonomous powers (IEMP) and effectively control the territorialized and centralized materials and people for the purpose of attaining human goals (Mann, 1988). Being a statist, like Skocpol, Mann poses his "*autonomous power of the state*" and the state "*organizational materialism*" as partially derived from the Weberian ideal type bureaucracy of the state, and advocates developing the distinct identity and distinctive institutions of the state (Mann, 1993:52, 54-63; and see Hobden, 1998, 1999a, 1999b; Hobson, 1998a, 1998b, 2000, 2002a).

However, by examining Mann's and Skocpol's inferential rationales and their predications of *state autonomy*, the differences and disparities between them in contents can still be conceived. The resources of state autonomy posited by Skocpol's four preconditions as described can be further unpacked. The first precondition of the origin of state autonomy means the state and political elites are endowed with the technocratic monopoly in order to protect the territory and defend against intruding enemies when threatened by international anarchy and competitiveness. This autonomy comprises the ultimate legitimacy of technocratic- bureaucratic speciality and centrality especially in the decision-making processes of diplomatic policies and



militarism that concerns **national security and warfare policy**. For Skocpol, this ultimate legitimacy constructed to protect state authority's self-evident goals and interests free from challenges by any other domestic power entity.

The second precondition of state autonomy originates from the need to maintain **domestic social order, cohesion, stability and reproduction**. As a legitimate dominator and regulator of domestic orders, norms and coercion, the state could interpenetrate society by means of law, administration and legal violence. The third precondition refers to the **autonomous bureaucratic institutions and civil servants** who are insulated from socioeconomic interests with their own **distinctive and unitary interests**. The last precondition of state autonomy refers to **periods of crisis**, during which the state legitimately assumes any means of responsive policies. In sum, according to Skocpol, with the exception of the periods of crisis, *state autonomy* is mainly developed from its *militarism, technocratic-specificity and insulated, autonomous and self-interested bureaucracy*, especially those which are concerned with war-making and foreign policy.<sup>7</sup> Warfare is not only central to Skocpol's notion of international system, but also is a determining factor in domestic development (see Hobden, 1999b).

For sustaining these theoretical preconditions of the origins of state autonomy, Skocpol separates the state and society, and class and interests. To her, there is a clear line of demarcation between the state and society, and between the domestic and international boundaries. In Skocpol's view, the mode of domestic capitalism is totally separated from the mode and logic of international capitalism. The resistances inside the domestic territory are deemed as hostile "fetters" to the actions of the state and impede its unitary strategies in a competitively international (both military and capitalist) system (Hobson, 2000:175-91, and also see Halliday, 1994, Hobden, 1999a, 2001).<sup>8</sup> This makes Skocpol's state version almost no different from neo-realism and

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<sup>7</sup> In Skocpol's framework, the state is allocated to a perpetually competitive and anarchic international system in which all states need to be prepared for accidental and unpredicted war, emergencies and crisis. It's a classical work of realism.

<sup>8</sup> To this, Halliday also posits similar comments to Hobson's: "for some, such as Skocpol, there is a distinct area of autonomy which is greatly enhanced by the state's international role" (Halliday,



falls into “historical institutionalism and statist reductionism” (Hall & Taylor, 1996:938; Hobson, 2000: 182).

Skocpol recognizes that “elite powers and cohesion vary. Constitutions matter. Democratic constitutions prohibit elite autonomies allowed to authoritarian ones” (Skocpol 1979 cited in Mann, 1993:51).<sup>9</sup> As Mann comments that: Skocpol admits state autonomy is not a fixed structural feature of each and every government; instead it differs over time (Mann, 1993). However, this acknowledgement substantially implies domestic resistances will impede a unitary action of the state and demonstrates the imperativeness of strong state autonomy for its successful survival in international anarchy and competition. Ostensibly, “Skocpol conceptualizes the state as ‘Janus-faced’ as having a dual anchorage in domestic socio-economic relations and the inter-state system” (Hobson, 2000:182; Skocpol, 1979: 32, 1985) and compensates “the second tier” flaw of neo-realism by re-emphasizing the importance of the state-society relation. However, Hobson argues that: “Skocpol reduces the international system to a ‘primitive’ structure of anarchy” (Hobson, 2000:182) and is effectively “kicking the state back out” (Hobson, 2000, 2002: 66).

Mann’s “resources of state autonomous power” (Mann, 1986, 1988, 1993) provides similar resources of state autonomy to Skocpol’s. Like Skocpol, Mann emphasizes the speciality and importance of geopolitics, territory, diplomacy, national security, and war. However, he addresses the autonomy of the bureaucratic institutions by significantly highlighting the capacity of penetrating infrastructures in and through civil society, in contrast to Skocpol’s concerns with autonomous and self-interested bureaucrats. Further, Mann rejects the emphasis on true elitism-realism, regarding it as exaggerating the power and cohesion of the state actors (Mann, 1993).<sup>10</sup> Obviously,

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1994:79).

<sup>9</sup> However, Skocpol does not provide any information on how the autonomy of the self-evident goals posited by the political elite or authority are to be prohibited and constrained. She emphasizes more the legitimacy of them.

<sup>10</sup> Mann notes that the state-centred institutional approach will proliferate organizational complexity into fragmented and departmental autonomy. Therefore, it is necessary to crystallize these fragments rather than highlight their multiplicity (Mann, 1993:54).



the autonomy of Weberian bureaucracy in Mann's work is different from that of Skocpol's.

As regards the political aspect, Mann devotes more attention to the democratic mechanisms and representations in the modern state and recognizes the influences of plural forces and interests. This is in comparison to Skocpol's emphasis on political elite superiority or their despotic and distributive autonomy over civil society. What makes Mann's IEMP model significantly different from Skocpol's institutional statism is Mann's emphasis on the development and momentum of capitalism and how class struggles impact upon the state autonomy, something that Skocpol never takes seriously in her works and revision. From the power configuration perspective, Mann holds open the possibility that the state will be superseded by resistant forces in society (Mann, 1988). Thus, he labels his state theory 'organizational materialism' and reserves the space for the dialectic between "interstitial emergence" and "institutionalization" and the mutual intertwining intricacies between state and society (1993: 728).<sup>11</sup> Thus, this process of *institutionalized interstitial emergence* will be a transformation, and not just a reproduction in the historical movement.

For Mann, what makes states prominently differentiated from other social control organizations are their *military and war-making necessities and their penetrating infrastructural and logistical capacities*. Thus, we can consequently conclude the main disparities in Skocpol and Mann's theories fall on the contentions between the differences between 'bureaucratic autonomy of distributive power' and 'infrastructural or collective capacity'; and the status and character of civil society.

Moreover, judging by Mann's recent revisions of state and international relations theories, his works are phrased as representative of a non-reductionist theory of the state and second-wave Weberian historical sociology (WHS). Mann's work is also non-realist sociology of international relations which contrasts Skocpol (1979) and

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<sup>11</sup> For Mann, "(s)ocieties are constituted by multiple, overlapping networks of interaction, they perennially produce emergent collective actors whose relations with older actors are not yet institutionalized but then become so"(Mann, 1993:728).



Tilly's (1990) state-centric first-wave WHS of neo-realist international relations (Hobden, 1998, 2002; Hobson, 2000; 2001; 2002). As Hobson comments: "Skocpol does open up the 'black-box' of the state and state-society relation,... in a way that is entirely congruent with Gilpin's 'modified neo-realism'"(Hobson, 2000:182). He further notes that: "as with Gilpin, a state's domestic agential power or autonomy, as well as state-society relations, are only intervening variables; that is, they are salient in Skocpol's work to the extent that they enable or prevent a state from conforming to anarchy and military competition" (ibid: 182). The evidence of this reduction of a state's domestic autonomy to the primitive structure of anarchy (warfare) can be found easily in Skocpol's definitions regarding the resources of the state autonomy. Hobson criticizes neo-statists (neo-institutionalist) and neo-realists like Tilly, Skocpol, Waltz and Gilpin in that they "drop the second tier (state-society relations) as independent causal variables, and thereby, 'kicking the state back out'" (ibid: 190). The resistant forces in society (especially classes and capitalists) are deemed as "fetters" to the state's autonomy and actions for warfare. This gesture makes relations between the state and its resistances turn into a dialectical and zero-sum one.

On the contrary, Mann's model leads to the development of a non-realist theory by addressing "a number of causal variables that can not be reduced to the international structure" (ibid: 192), and shifts from Weber's simplicity to complexity. Hobson asserts that the importance of Mann's model is "the attribution of international agential capacity to the state" (ibid: 197). States therefore, should be conceived "as having varying degrees of domestic agential state power, moreover, their varying relations with society also autonomously impact upon and affect international relations" (Mann, 1993, 1996 cited in ibid: 203). According to Hobson "partially autonomous states are constituted through a multiplicity of partially autonomous non-state power resources—economic, ideological and military..." (ibid: 202). Actually, this conception of *mutual embedded relations between the state and resistances in globalization* has recently attracted a good deal of academic interest in the regulation and governance schools, especially the divergent capitalism and corporatist-capitalism strands (Boyer, 2000; Boyer & Drache, 1996; Burrows & Loader, 1994; Jessop, 1990, 1993, 1994, 1997, 1998, 1999a, 1999b, 2000; Thompson,



1994; Weiss, 1995, 1998, 2000, 2003; Whitley, 1998, 1999).

In sum, by reinvestigating the power resource of state autonomy in both Skocpol's and Mann's works, one can clarify their distinctive perspectives on the positional relations among the state, civil society, domestic capitalist and international system. They provide resources for legitimating statehood and share the same perspectives of state autonomy resources on maintaining domestic order, militarism and national security necessities, however disparate on how state autonomy is practically implemented.<sup>12</sup>

### *1.1.2. Resources of state autonomy in the EA developmental states model*

In most discussions of the economic success of the EA developmental states, there is a high congruence with key variables associated with the *strong state autonomy* while positing diverse explanations on their resources. Some emphasize the importance of the weakness of class power, especially the bourgeoisie and agrarian power (Burmeister, 1990; Woo, 1991). Some discussions highlight the crucial institutional arrangements and economic policies (e.g. Amsden, 1989; Evans, 1987, 1995; Gold, 1986; Haggard, 1990; Jenkins, 1991; Wade, 1990; Weiss, 1999, 2000; Woo-Cumming *et al*, 1999). Others attach great importance to entrepreneurial bureaucrats, efficient bureaucracy and the authoritative structure of the state (Chu, 1995; Evans, 1989, 1995; Haggard, 1990; Woo, 1991; Wu, 2004). The environment of the international system and geopolitics in the Cold War, the colonial legacy and struggle between the West and the Communist block; the role of U.S aid and security strategy in strengthening both the economies and the geo-political alliances of Asia Pacific region are also stressed (Cullather, 1996; Woo-Cumming, 1984, 1999; Evans, 1995, Jessop, 2000; Wang, 1999; Winters, 2000; Wu, 2004).<sup>13</sup>

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<sup>12</sup> It is also important to note what Skocpol and Mann attempt to do is to provide a generalized account for resources of autonomous power for any normative state, however not particularly referring to the EA developmental states.

<sup>13</sup> In fact, most deliberation on the economic success in the EANICs is from the same substance and sets out similar propositions. The abilities of these EA developmental states to discipline and dominate business and civil society have been based on their strong control over the economy and crucial forces that allow the control of key goods, access to which private sectors and civil society



Encompassing these core themes of the state-centric neo-Webreain institutionalists and rationalist neo-realism, the crucial variables and premises in the EA developmental states theories are *the full autonomy of the state, the efficiency and high-quality bureaucrats and the high strength capacity of the state*. Scholars influenced by ‘the bringing the state back in’ trend significantly insist that the industrialization in these economies are initiated, controlled and implemented by the state (Hobson, 2001). As Migdal has pointed out, the stronger the states are, the less they are threatened by the other “rule-making” organizations which exercise or claim control over other groups in the society (1987:401). These propositions assume strong and autonomous state power with resources controllability, capital-starved private sectors and weak civil society with no resources to resist state domination.

Therefore, the origins of this authoritative autonomy derive from the necessities of geo-politics, nationalism, social mobilization and stability of social order. In short, Skocpol and Mann emphasize the ‘national security’ and militarist necessities (expand to economy) in a crisis period (against Communism). For these countries, the purposes of development are to ‘catching up’ the western developed states, ‘keeping ahead’ in the advanced technology sector in the global market and surviving in the international anarchy system. As Johnson argued, nationalism, social mobilization and their unique spatio-temporal and geopolitical environments make the EA developmental states what they are (see Woo-Cumming, 1999: 2-3). It is a stylish, compounded mode of “warfare and Listian workfare state” that depends heavily on logistic and extractive capacities of the state justified by nationalist ideas.<sup>14</sup>

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depend on.

<sup>14</sup> According to Jessop (1999), the initial mode of regulation in most East Asian developmental states can be characterized as an ideal-typical “Listian Workfare National State” (LWNS). It is an illogic(s) mode of globalization. The characteristics of LWNS are structured coherences under a national security and geo-politics considerations. It requires a strong developmental state and close coordination between the banking and industrial capitals that can then be mobilized behind a national accumulation strategy (Jessop, 1999: 32). As such, there are four dimensions of LWNS: “Listian aims to secure economic growth through export-led industrialization form an otherwise relatively closed national economy and combines catch-up supply-side interventions and neo-mercantilist demand management. Second, LWNS social policy had a distinctive workfare orientation. Third, the LWNS was national as economic and social policies were pursued within the historically specific matrix of a national economy, a national state and an imagined national economy. Fourth, LWNS was statist and state institutions were the major supplement to market forces in securing economic growth, full employment and social cohesion.” (Jessop, 2002: 5). In LWNS economic and social life are politically mediated. Taiwan, South Korea, Singapore were typical LWNS by Jessop’s definitions. The macro



However, this resources control perspective downplays resources of autonomous power of the EA developmental states that originates from non-resource controlled bases or from an institutionalized democratic law system and constitutionalism. It also neglects the realistic and basic operational mechanisms in a democratic regime. Even for states with a legal monopoly on means of violence and administration, any decision-making behaviour or political process of incumbent authority will be regularly examined by the electorate in those EANICs that are moving toward matured democracy. Especially, after the end of Cold War, in a democratic polity, the power resources of elected politicians mainly come from the constituency, laws and constitution, and not from dictatorial and despotic resources control. According to this proposition, it is reasonable to enquire: whether it is still possible to continue the developmental states model even when these constructing prerequisites have changed?

As emphasized, little of the existing literature set out to explore the resources and bases of these variables and trace their developments in a globalized economy and a democratic polity. As Leftwich (1995) points out: “the failure to analyze the anatomy of the developmental state has been the major flaw in post-war development theory and policy” (Leftwich, 1995:403). Steinmetz suggests: the “most ‘generous’ test of any state-centered theory would involve examining states with high administrative capacities and strong executive leaders, both of which are alleged to be conducive to state autonomy” and “by assessment of the state autonomy focusing on key policy areas and critical historical cases” (Steinmetz, 1990:244). Further, for the purpose of investigating the overall changing nature of the EA developmental states in the globalized economy and their democratization, it is necessary to adjust such a state-centric proposition by re-examining their autonomous power resources and expanding investigations to changes in their social bases concurrently. Only through speculating about the states’ resources of autonomous power and resistant forces in

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international environments that sustained the LWNS to develop were the post war KWNS (Keynesian welfare national states) in the western countries. In Jessop’s terms, “Keynesian, Listian and Schumpeterian refer to the particular forms of state economic intervention characterized a special mode of social regulation, and the terms Welfare and Workfare refer the particular form of social intervention of the state” (Wad, 1999:5).



their societies, is it possible to provide a more comprehensive understanding about the transformations that take place.

## **Section 1.2: Critical reflections of ‘state autonomy’ in the EA developmental states model**

The theoretical and methodological deficits of EA developmental states theory have been noted previously. Here I will draw on the *autonomy of state bureaucracy* argument and political processes in a democracy, and try to provide some critical reflections.

Firstly, in many constitutional and legislative democracies, particularly in the partisan composition of a democratic government, the most important positions in the government are politically appointed. It is arguable that the policy-making power of bureaucrats is still totally autonomous by their own self-evident wills and insulated from the resistant power or class struggles in spite of political manipulation. In many state studies concerning the role of state bureaucrats in social policy innovation, they show that the structural conditions including class power balance, party composition and state structure profoundly limit the scope and range of policies that bureaucrats are able to suggest (Huber & Stephens, 1992; Kim, 2000). When bureaucrats consistently suggest policies that are outside or opposite to the parameters set by that structural configuration, they are ignored and, if they persist, they may lose their positions (Stryker, 1989). From a long-term perspective, different state policy has both structural and strategic spatial-temporally moments. Structurally, the decision-making process of policy needs negotiations and mediation between different forces. Both of ‘supply-side’ of infrastructural policy or ‘demand-side’ welfare policy should be based on necessities of social development and supports of their social constituents. Strategically, in a democratic polity, the political party could not neglect preferences of populace.

States do have a degree of autonomy on policy decision-making. However, the administrative autonomy endowed by the legal and constitutional system is distinctly



different from the self-interested one, though sometimes they are difficult to discern. However, in a democratic constitutional polity, implementation of policy-making and the behavior of incumbent bureaucrats should be under the discipline of elected politicians who are regularly examined by the voters and should correspond to law and legal procedures. A society's day-to-day existence is affected to a much larger extent by reference to power normalized by means of law, rather than by the brutal and self-interested employment of power. The principles of public policy are carried out by bureaucrats whose capacities are as holders of offices and operate in the light of and on behalf of not their own personal interests, but those public interests their office has been assigned to guard and pursue (Poggi, 1990).

Halliday (1994) also argues: "once the state is seen as institutionally distinct from society, the question arises of the degree to which it can act autonomously, and represent values separate from the society, even if it is ultimately constrained by it" (Halliday, 1994:79). The autonomous power of government endowed by the constitution and legitimacy should not be deemed as equivalent to power executed by the self-interested will of the bureaucrats. The autonomous power of governmental bureaucrats endowed by the constitutions, law or legislations in a democratic state is a variable not a perpetual one. As such, Mann argues that "Weber exaggerated the autonomy of bureaucrats" (Mann, 1993:79).

Furthermore, the assertion that the superior contributions made by the bureaucrats or officials to administrative policy actually confuse different problems. As Skocpol (1985) argues, with reference to the importance and influences of the long-standing civil service administrators or incumbents to social policy development in Britain, Sweden and the United States, the contribution of civil officials is more important than that of the political parties and interest groups. Consequently, her conclusion is that "autonomous state actions will regularly take forms that attempt to reinforce the authority, political longevity, and social control of the state organizations whose incumbents generated the relevant policies or policy ideas (Skocpol, 1985: 3-28).

It is undeniable that there is a tendency to expand the collective interests in different



types of Weberian organizations and strengthen their own autonomy. However, Skocpol's work still lacks sufficient evidence to draw a conclusion on superiority of their decision-making capacity. There is a more extensive body of literature concerned with the inertia of the long-term incumbent, governmental institutions which impede the evolutions of many public administrative issues rather than prove their contributions (e.g. Caniden, 1994). Weber's bureaucratic organization is one ideal type of human social control institutions, however not the imperative one (Foucault, 1980). The advantages and deficits of the long-term incumbents in Weberian organizations, especially governmental ones, are still are debated in different realms of academic works. Self-interest is always a trade-off issue and a universalistic problem of any bureaucratic organizations, even private ones.<sup>15</sup> If we observe this Weberian bureaucratic hierarchy and its organizational autonomy from a management point of view, this self-interested bureaucratic autonomy could be explained as *informational asymmetry* between governmental officials and their clients (civil society), or between the politically appointed chief executive level and incumbent level (Best, 2002).<sup>16</sup>

These impasses can be categorized as organizational and hierarchic management and informational transparency issues in Weberian bureaucratization rather than political ones. Actually, it is a different level of problem. As Mann notes, Weber, Skocpol and her collaborators emphasize that in the modern state, the technical speciality and administrative channels of communication permit surreptitious and limited forms of insulation (Mann, 1993:67). Consequently, they assert that the "classes and other major power actors are not routinely organized to supervise all state action" (Mann, 1993:67). When the resistant forces disband or turn away, it will leave civil servants in peace and the departmental autonomy will re-emerge (Mann, 1993:67). These

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<sup>15</sup> In contrast to the private sector or economic organizations, organizational inertia and issues pertaining to self-interested incumbents in the governmental institutions, such as bureaucracy and hierarchy are quite similar. It is insufficient to assume that government officials will diagnose social problems more sensitively and correctly or initiate better policies than partisan or interest groups.

<sup>16</sup> This is what Weber argued: that the spread of bureaucracies were a potential threat to democracy in the modern world, for the resource of their power is based on knowledge and technical expertise protected by secrecy (Best, 2002: 17-19).



propositions, however, seem vulnerable and unpersuasive in the faces of open public media and advanced informational communication technology.<sup>17</sup> In a democracy, the executive political party and politicians will take political responsibilities for their policies and will be re-scrutinized at the next polls. These inertial responses of incumbents in the political processes could then be explained as mechanical deficits of representative democracy and a partisan political system. These deficits reveal the limits of institutions with regard to transparency and management, and should not be considered a substantial source of state autonomy.

Lastly, the actions of different parts of government are scarcely unitary ones and often contradict each other. In other words, as Hay comments, “the state as an agency of agencies tends to lack agency itself” (Hay, 1999:322). The state actually comprises a diverse array of specific but none the less interdependent apparatuses and institutions that are “complex and internally differentiated systems in their own rights” (Hay, 1999:321).<sup>18</sup> What the modern state displays is a partial and latent unity, as “state elites are plural, not singular” (Mann, 1993:51). It is quite difficult to define and reify what are the collective interests of the bureaucrats. What Skocpol claims is the “prerogatives of collectivities of state officials” (1985:15) actually is a paradoxical definition of state autonomy.<sup>19</sup>

To sum up, according to the classical developmental state studies, EANICs depend on the despotic sense of ‘state autonomy’ based on controls of material resources and groups of competent bureaucrats with high capability to mobilize society, to allocate

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<sup>17</sup> Civil society is more likely to keep silent about what it is unable to change temporarily, whilst not being unconcerned. The state (or political party which takes office) can still insist on the correctness of their policies and administrative autonomy despite feedback from civil society, and can endeavor to pursue the interests of their own party (and politician) when developing election strategies.

<sup>18</sup> These agents enjoy some degree of latitude of relative autonomy from the centre that is reflected in distinctive organizational structures, institutional practices, operational procedure and modes of behaviour.

<sup>19</sup> What the bureaucratic politics school highlights as ‘the priority of non-altruistic policy by bureaucrats’ and ‘self-interested autonomy’ (Allison, 1971; Halperin, 1974; Olson, 1965) is a totally different level of problem from the issues of the autonomous power of the state as noted in the preceding section, especially in a democratic state, and in light of the fragmented nature of the state, political parties and interests groups.



resources, to steer development and to pioneer prospective industries. Few works expand scrutiny to concerns with other dimensions of state autonomy authorized by the law and constitution in a normalized democratic mechanism, even in revised editions (i.e. Evans, 1995; Weiss, 1995, 2002, 2003; Weiss & Hobson, 1995). According to their rationales, the successes of the EA developmental states implicitly rely on two important institutional arrangements, namely, the inferiorities of private sectors, civil society and local government; and the negligible role of legislatures even though they are elected to represent different interests that comprise contradictions and struggles among various groups.

Following this line of reasoning, not only the capitalism mode but also democratic mechanisms in these countries are divergent from normalized ones.<sup>20</sup> In order to go beyond this theoretical antinomy, more delicate investigations need to be developed on the mechanisms and variables to invigorate research on the EA developmental states. In this view, the discussions of transformation of the EA developmental states due to globalization and democracy do indeed need more thought about what has been changed in civil society and in resistances to the state, but not only in order to revise them. Rather than seeking *new evidence* to *legitimize* old developmental states models it is important to acknowledge the changing social bases and reflect on the contemporary relevance of these models. As I work toward this question, I will look more scrupulously at definitions of ‘state capacity’ and interrelationship between state autonomy and capacity.

### **Section 1.3: Characters of ‘state capacity’ in institutional statism and the EA developmental states model**

I will re-conceptualize state capacity in two subsections. The first will review the contribution of Skocpol, Mann, and Gringle to our understanding of state capacity. The second subsection will show how ‘state capacity’ is esteemed in the EA

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<sup>20</sup> Therefore, these premises in the orthodox EA developmental states models make the political processes and operations in these states contradictory to normative political theories and democracy theory.



developmental states model.<sup>21</sup>

### *1.3.1 Normative definition of 'state capacity' in institutional statism*

First, by highlighting the influential importance of the government bureaucrats and the state as an active agency, Skocpol defines state capacity as “the ability to implement the official goals, especially over the actual or potential opposition of powerful social groups or in the face of recalcitrant socioeconomic circumstance” (1985:9). In other words, state capacity means the executive and effective efficiency of governmental goals set by the state as they confront domestic resistance. The definition makes state capacity the counter to resistance, thereby emphasizing the coercive and repressing role of the state rather than the creative or steering one. Importantly, as with state autonomy, Skocpol acknowledges that state capacity will vary according to different sectors of government and different historical crosscuts.<sup>22</sup> Moreover, as Skocpol implicitly or explicitly suggests, the ideal type of state should have ‘strong autonomy’ and ‘high capacity’.

Second, in Mann’s organizational material IEMP model, the modern state and political power acts as “place and actor, infrastructure and despotic, elite and parties is dual, concerning both a center, with its multiple power particularities, and center-territory relations” (ibid: 61). Mann further argues that the cohesion of the state is always problematic. However, the increasing infrastructural interpenetration between state and society make them tightly intertwined. He notes further that the “‘power’ of the modern state principally concerns not the ‘state elites’ exercising power over society but a tightening state-society relation” (ibid).

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<sup>21</sup> Another contribution concerned with state capacity is made by Cerny’s “structuration process of the state” (Cerny, 1990). This concept refers to the interplays between the state and other structures both endogenously and exogenously. Cerny also posits a similar two-dimensional matrix referring to internal strength of the state and its exogenous environment (See Cerny, 1990: 101). He emphasizes the autonomy and capacity changes and shifts “in different countries and in different circumstances, different levels of the state apparatus and different combinations of state actors”, namely “different historical-specific-configurations” (Cerny, 1990:47).

<sup>22</sup> Skocpol further suggests that the autonomy and capacity of different governmental sectors and the degree of their insulations from civil society are variable ones.



In order to sustain his state theory, Mann outlines a balanced perspective of political power about the modern state in his writings and identifies two distinctive dimensions of state power: despotic power and infrastructural power. On the one hand, despotic power derives from the inability of civil forces to control and fulfill those forms of territorial centralization, and denotes distributive power by the state elites themselves over civil society. Despotic power is also usually what is meant in the literature by 'power of autonomy' (ibid). However, Mann emphasizes that civil society actors can withhold or undercut this power in a democracy (ibid).<sup>23</sup>

On the other hand, "infrastructural power is the institutional capacity of a central state, despotic or not, to penetrate its territories and logistically implement decisions"... "This is collective power, 'power through' society, coordinating social life through state infrastructures (Mann, 1988, 1993).<sup>24</sup> That is to say, the modern state penetrates its civil society mainly by means of intangible laws, administration and logistic or tangible infrastructures, but not by the despotic autonomy power. Nonetheless, these infrastructural powers are "(l)argely controlled by outside civil society groups (either by their financiers or by the electorate) as well as by the law" (Mann, 1986:114). "Without the backing of a formidable social movement", the power of elected politicians and permanent bureaucrats to "change the fundamental rules and overturn the distribution of power within civil society is feeble" (ibid). After this classification, Mann uses his two dimensions of state power to produce four two-dimensional ideal types of the states shown in Table 1.2.

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<sup>23</sup> This power means "(t)he range of actions that the state elite can undertake without routine negotiation with the civil society group" (Mann, 1993:59). However, "the degree varying according to the ability of civil society actors to organize themselves centrally through representative assemblies, formal political parties, court factions and so forth. They can alternatively withhold powers from central politics or undercut state powers by strengthening transnational relations abroad" (Mann, 1993:59)

<sup>24</sup> It identifies a state as a set of central and radial institutions penetrating its territories...(I)ncreasing infrastructural power does not necessarily increase or reduce distributive, despotic power" (Mann, 1993:59) It differs from the social utility in any particular time and space by forms of territorial centralization which can not be provided by the forces of civil society themselves (Mann, 1988).



Table- 1.2 Mann’s “Two Dimensions of State Power”

Despotic power (state autonomy)	Infrastructural power (state capacity)	
	Low	High
Low	Feudal ( I )	Bureaucratic-democratic(III)
High	Imperial/absolutist ( II )	Authoritarian (IV)

Source: Mann, 1988: 115, 1993

Subsequently, Mann claims that in one way: “(s)tates in the capitalist democracies are weak, in another they are strong. They are ‘despotically weak’ but ‘infrastructurally strong’” (Mann, 1988: 114). In these states there are few signs of autonomous state power-of a despotic type. In opposition to Poulantzas’s and Skocpol’s passive reductionist view of the state, Mann stresses the active role of the state in promoting the great social change by consolidating territoriality with its infrastructural (logistic) power. He identifies the importance of the state’s role in consolidating its territoriality that is decided “in proportion to its infrastructural power. Mann emphasizes: “the greater they are or become, the greater the territorializing of social life” (ibid: 132). Even the states “move toward despotism is resisted by civil society groups, but the state-led infrastructural reorganization may result” (ibid).<sup>25</sup> This argument on the character of the state capacity expands Mann’s points to suggest a more creative and active role of the state, which goes beyond the repression of civil society. In line with Mann’s asymmetrical resources of power networks and developed trajectories, the capacities of different parts of the state are spatio-temporally varied and differentiated.

Grindle provides a concretized definition and criteria of state capacity that offers four dimensions of operationalization: technical capacity, administrative capacity institutional capacity and political capacity (Grindle, 1996). According to Grindle,

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<sup>25</sup> Mann claims: “every dispute between the state elite and elements of civil society, and every dispute among the latter which is routinely regulated through the state’s institutions, tends to focus the relations and the struggles of civil society onto the territorial plane of the state, consolidating social interaction over that terrain, creating territorialized mechanisms for repressing or compromising the struggle, and breaking both smaller local and also wider transnational social relationships”(Mann, 1986:132).



“institutional capacity describes states having authoritative and effective ‘rules of the game’ to regulate economic and political behavior. Technical capacity is the ability to formulate and manage macro-economic policies. Administrative capacity describes effective administration of basic physical and social infrastructure...Political capacity consists of effective and legitimate channels for societal demand making, representation and conflict resolution- and having responsive political leaders and administrators” (Kjar *et al*, 2002: 18).

In short, in institutional statism, the normative state capacity can be summarized into three themes. Firstly, there is the common and basic argument on state capacity referring to effectiveness and efficiency to manage the bureaucracy and implement the desired policies or goals of the state. Secondly, there is a high correlation between state autonomy and state capacity; however in the modern democratic state, state capacity does not necessary take the fully autonomous form. Thirdly, state capacity is the result of historical-specific configurations and differs in different countries, circumstances, sectors, levels and times.

### *1.3.2 The highlighted ‘state capacity’ in the EA developmental states model.*

According to the institutional statism, the scope of state capacity described above remains not particularly active in market interventionism. However, as Migdal emphasizes, the strong state should have sufficient autonomy in enacting policies and have means to penetrate society, regulate social relationships, extracting resources and appropriate resources in determined way (Migdal, 1988). For the purpose of catching-up, the neo-statist insists that EA developmental states not merely need the capacity to provide public goods and infrastructures or regulate social order. They emphasize the EA developmental states have greater “managerial, co-ordination and control capacities” (Kim, 2000).<sup>26</sup> These neo-statists argue that the active capacities of the

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<sup>26</sup> Managerial capacity refers to the ability of the insulated and cohesive elite and bureaucracy to formulate and implement economic policies; co-operation capacity refers to the establishment of an institutionalized mechanism between the state and business; control capacity refers to the resources appropriate and infrastructural power (Kim, 2000).



state should include fiscal extractive capacity, legitimation capacity, coercive capacity and especially steering capacity (Wang & Hu, 1993, 2000). These statist's definitions of state capacities have comprised in Grindle's categories of the administrative, technical and institutional capacities. However, they emphasize less on political capacity as these states were authoritative ones.

Since the mid-1980s, the successful transformation and excellent economic performances of the EA developmental states in IT technology and knowledge-driven economy have provided sound justifications and validations of neo-statist's theories. Certainly, these state theorists attribute these unparalleled performances to the steering capacity of the state and the co-operational institutional mechanism between the state and business (technical and administrative capacities). The empirical evidence supports the observed trend toward "competitive nations" (Cerny, 1990; Porter, 1990; Mann, 1997); the "operational function of the state" (Dunning, 1995; 1997); and "strategic trade theory" (Brander & Spencer, 1985; Krugman, 1986) conceptions emphasized by neo-realism, neo-statism or neo-mercantilism. In this view, Mann's "infrastructural capacity" conception still remains quite conservative and conventional as it confines the state to the roles of "regulator and producer" (Evans, 1995:13) or provider of public goods and infrastructures (administrative and institutional capacities).

In a nutshell, in the orthodox EA developmental states model, the prominent capacities mainly refer to the managerial, co-operation and steering capacities of the technocratic insulated bureaucratic cadres who show premium managerial talents that are impervious to rent-seeking interests and effectively intervene in the market or govern the market by means of different policies as instrumental tools (see Dent, 2002:39-40; Evans, 1995; Wade, 1990; Weiss, 1998, 2000, 2002). In this sense, the technical capacity is far more important than other capacities. In the revisionists' works the institutional, administrative and political capacities were organized in a despotic sense and subordinated to the technical one. For them, there is a clear demarcation, not only politically but also economically, between the international system and the state. Especially, for them, the development of international capitalism



follows an anarchic and competitive logic; however, the development of domestic capitalist trajectory and market could be controlled, operated, disciplined and governed ; moreover, the private sector needs the state to pilot and steer direction to ensure their survival in a competitive global market.

#### **Section 1.4: Reflections on the revisions of neo-institutionalism of the EA developmental states**

Having discussed the theoretical basis of state capacity, this section will in turn review two renowned revisions, particularly in referring to the economic development in Taiwan in the IT age; - first, is Evans's "embedded autonomy" (Evans, 1995); then Weiss's "governed interdependence" (Weiss, 1995; 1998; 2000; 2002) model. I will investigate their inferential logic and argument on the continuity and dynamic of the EA developmental states, and then reflect critically on these two revisions.

##### *1.4.1. Evans's 'Embedded Autonomy' model and monologue*

For highlighting the leading role of the state in economic transformation, Evans posits 'embedded autonomy' as an ideal typical model to sustain and legitimate further interventions of the state in the transformation of the EA developmental state and in globalization. He asserts that the ability to effect the industrial and economic transformation of one state depends upon state-society relations or a dense network of ties to bind the state and societal allies together. For remedying the theoretical drawback of insulating separations between the state and society in the "bringing the state back in" approach, Evans suggests analyzing factors such as social and institutional linkages between the state and society as more influential consequences (causes) of the developmental process (Evans, 1995).<sup>27</sup>

To Evans, the EA developmental states rely on a pair of active roles (that he calls) - "midwife" and "husbandry" which focus more on the relations between the state

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<sup>27</sup> Evans argues that "different kinds of state structures create different capacities for action" (Evans, 1995:11).



agency and private entrepreneurial groups (1995:13).<sup>28</sup> He explicitly asserts that his model will contribute as an alternative, in contrast to how “fostering growth is often portrayed as a substitute for addressing distributional issues” (ibid: 6).<sup>29</sup> Reshaped state-society ties can reconstruct national comparative advantages to facilitate accumulation. He describes the underlying structural basis for sustaining state involvement in industrial upgrading and transformation as ‘embedded autonomy’. The precondition of ‘embedded autonomy’ depends on “highly selective meritocratic recruitment and long-term career rewards to create commitment and a sense of corporate coherence” (ibid:12)<sup>30</sup> in the Weberian governmental bureaucracy as well as connectedness with the private sector by undertaking joint projects.<sup>31</sup>

Evans demonstrates his model using the case of the informatics policies of Brazil, India, South Korea and Taiwan that depended on a small group of the best and brightest highly selective “entrepreneurial bureaucrats” (ibid:221).<sup>32</sup> This political dynamic comes from the “nationalist greenhouse through internationalization” (ibid: 225). Namely, keeping the capacities and charisma of these “best and brightest bureaucrats” to shape the development trajectory, make the wisest decisions and build robust and coherent bureaucracies are the most essential prerequisites to the

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<sup>28</sup> The ‘midwifery’ role of the state focuses on promoting, inducing, and assisting the emergence of new entrepreneurial groups and infant sectors. The ‘husbandry’ role of the state emphasizes “cajoling and assisting” policy that can steer and protect the private sectors to confront the challenges in global markets, “from simple signaling to something as complex as setting up state organizations to take over risky complementary tasks, such as research and development” (Evans, 1995:14).

<sup>29</sup> For Evans, wealth creation is what the state should endeavor to promote. Therefore, he suggests this might be a plausible way to reconstruct the comparative advantages of the EA developmental states to participate in the global market by reshaping state-society ties with *midwifery* and *husbandry* policies.

<sup>30</sup> Evans argues that the autonomy of state apparatuses and bureaucracy given by this “corporate coherence” will transcend the individual interests of their private counterparts when implementing the “midwifery” and “husbandry” policies (Evans, 1995: 12-3), thereby creating a niche and stimulating private sector.

<sup>31</sup> Evans argues that “embeddedness provides sources of intelligence and channels of implementation that enhance the competence of the state. Autonomy complements embeddedness, protecting the state from piecemeal capture, which would destroy the cohesiveness of the state itself and eventually undermine the coherence of its social interlocutors” (Evans, 1995:248).

<sup>32</sup> These strategically located “entrepreneurial bureaucrats” formulated ideas about the possible futures of the sector and convinced the rest of the state apparatus to cooperate under their self-evident goals (Evans, 1995:221).



establishment and continuity of the EA developmental states. Actually, it would be rather appropriate to say *embedded autonomy* is presenting the positive features and merits of Weber's ideal type state bureaucracy and state activism rather than referring to it as a specific feature of the EA developmental states.

Evans himself raises questions about the possible continuity of embedded autonomy in the future from both theoretical and empirical perspectives. At the theoretical level, Evans's model is developed from the sector level of -the informatics sector. Within the limited resources of the state, it is quite reasonable to ask "should the same logic hold more generally?" and "could embeddedness be built around ties to multiple social groups?"(ibid: 17). Embeddedness within specific sectors unavoidably causes exclusion of other sectors and risks failure. It is also raises issues of domestic distributive justice, asymmetrical development, polarization on income levels, marginalization of definite groups with weaker resources and social instability. Evans admits that "the concept of embedded autonomy is useful because it concretizes the structural relations that lie behind the efficacy of the ideal typical developmental state, but it does not fully capture variations in state involvement across sectors and circumstances" (ibid: 247).

Empirical observation shows that the EA developmental state in the 1990s was challenged by civil society, labour, entrepreneurial groups, international alliances and the state itself. These challenges make it difficult to maintain the model (ibid: 228-34). Besides, many political corruptions and scandals having occurred during and since the 1980's in Japan, South Korea and Taiwan and have caused the collapse of the 'one-dominant- party system' and the 'strong charismatic ruler polity' in these EA developmental states. Even Evans himself casts doubts on the proposition of 'best and brightest highly selective entrepreneurial bureaucrats' possessing strong autonomy and high capacity who could continue to steer and lead the high economic growth mission of the state (ibid: 207-50). Empirically, it would be very risky to assume that long-term state development depends on the nationalism and the self-evident advice from the bureaucrats.



However, Evans argues his model still might be validated if the state expands the scope of state-society links to include a broader range of groups and classes. Evans emphasizes that “the process of seeking a more desirable niche in the global division of labor” and the renewed “joint project” (ibid: 234, 246) initiated by the nationalistic “entrepreneurial bureaucrat” will make this dream come true. Evans even emphasizes the importance of distinctive structural differences of states and that “variations in the state involvement have to be built on the historical examination of particular states” (ibid: 10-1). This comment draws attention to theoretical and methodological weakness in Evans’s model.

In Evans’s recent work, he justifies the importance of the stateness in the era of globalization in line with perspectives of new institutional economists such as North and Williamson who draw attention to state-society synergy (Evans, 1997). Evans agrees with the new institutional economics emphasis on “the necessity of governance structures and the pervasive importance of institutional frameworks to any kind of economic transactions,...”(ibid :78) in the new global economy. He also provides evidence of the possible co-existence and positive-sum relations between effective state and strong civil society. However, as noted, the most salient and problematic argument in the “bringing the state back in” approach is the dominant and leading role of the state as a top-down actor, rather than the debate about the strength of the states. Evans retreats from this position in order to prevent the eclipse of the state. That renders his perspective of the state scarcely different from the governance theories of the regulation approach and neo-economic institutionalism.

#### *1.4.2. Weiss’s ‘Governed Interdependence’ model and reactions*

The other renowned revision is proposed by Weiss. Weiss bases her revision on Mann’s state infrastructural capacity conception to develop her novel approach for a “governed interdependence (GI) model” as one type of corporatism and as a special form of infrastructural power to revise state capacity and depict the capitalist characteristics of EA developmental states especially referring to Japan and Taiwan (Weiss, 1995; 1998; 2000). According to Weiss, the GI model refers to “a negotiated



relationship, in which public and private participants maintain their autonomy, yet which is nevertheless governed by broader goals set and monitored by the state. In this relationship, leadership is either exercised directly by the state or delegated to the private sector where a robust organizational infrastructure has been nurtured by the state policies” (Weiss, 1998:38).

Weiss claims that while Evans’s “embedded autonomy” solves the problem of how and when the state is strong enough to control the state’s autonomy without losing its effectiveness, her GI model could provide a novel problem-solving approach when the state and capital both are strong without compromising autonomy (ibid:38). She asserts that the mutual dependence between the state and the private sector is the main factor behind the economic success and transformation of Japan and Taiwan. For Weiss, only with ‘governed interdependence’ capacity, will these EANICs successfully transform into more advanced and competitive states (1998).

However, Mann’s ‘infrastructural capacity’ and Weiss’s ‘governed interdependence’ still reach some theoretical impasses with regard to the EA developmental states especially with reference to globalization. Firstly, Mann’s argument that the infrastructural capacity will facilitate and enforce the centrality and territoriality of the state seems problematic in a global economy. Once the state endeavors to establish its intangible or tangible infrastructures, it will enforce its capacity to penetrate civil society and increase the transparency in its civil society.<sup>33</sup> It will then be quite arguable what the consequences will be when the infrastructures simultaneously empower the state and the resistant forces of civil society. As Halperin (1998) argues, the capacity to be embedded and penetrate in and through society can cut both ways. The results could increase or decrease state autonomy and capacity.

Secondly, Weiss makes the claim that, despite the institutional cooperative linkage between the state and the private sector, the state still can stand in a leading position

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<sup>33</sup> Such as improving institutional transparency in terms of financial or monetary regulations and laws; constructing super highways, airports and harbors; communication networks, light fiber networks and media access.



while in the process of maintaining industrialization. She emphasizes the “coordinated, selective and disciplinary” (1998: 43) governing capacity of the state, which casts doubt on whether the developmental state models can still continue their ‘*mediations*’ in the market operation with their democratic and capitalist developments, and even Weiss argues it is not intervention but promotion.<sup>34</sup>

Weiss further asserts “in the most advanced countries, the more the encompassing and cohesive the organization of the industry, the more cohesive and insulated the executive bureaucracy, and the tighter the links between the two, the greater the capacity for innovation” (ibid: 44). However, in a capitalist state, just as in the internal sectors of the state, the private sector is never unitary and is always occupied in contradiction and struggles, as it is more competitive than cooperative. Business and the private sector are often too fragmented to pursue a unified policy. The high degree of consent and the impact of societal processes and relations on the nature of the state and of state action are never simple ones as is shown by Weiss’s observations and descriptions (Halperin, 1998; Nordhaug, 1997).

Thirdly, Weiss also claims that her GI model could capture the dynamic picture of the state-business relations. However, what Weiss evinces in all her works still cannot avoid freezing a particular snapshot view, or focusing on the cases of specific sectors (1995, 1996 and 2002). As Chiu and Lui contend Weiss’s model is “at the empirical level, simply trying to replace one general homogeneous imagery of East Asian growth with another one” (1998: 152). “Weiss is liable to mix explanations with prescriptions” (ibid: 153).<sup>35</sup> In other words, we need to “separate prescription from explanation in the analysis of the role of the state in East Asian development, or even developmental processes in general” (ibid).

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<sup>34</sup> It is undeniable that in Weiss’s model, there is more a sense of the state’s top-down decision-making role than an emphasis on the equivalent positions between the state and private sector (Weiss, 1998).

<sup>35</sup> Chiu and Lui suggest what needs to be done is to “as certain whether co-operation is really the case in a certain economy over a certain period, and then try to deduce the possible impact on economic performance (Chiu& Lui, 1998).



Fourthly, Weiss's model underestimates the pressures that stem from the broader society's demands on state welfare policies and their countervailing effects on economic growth, and also downplay the importance of constituency preference in a democratic polity in these EA developmental states. Actually, Weiss's model exaggerates the feasibility of transformation of "the Listian workfare legacy" (see Jessop, 1999: 32) in these EA developmental states. Weiss implicitly accepts that the originally motive power of domestic political imperatives is being displaced by "external pressures for financial liberalization in the 1990s" which are not part of her deductive design (1998: 22). She emphasizes that the core capacities dismantling of the developmental state issue is "the subject of a separate study of regime shift and can not be dealt with adequately" in her GI model (ibid: 34).

As such, Weiss keeps her model in a variable-controlled *vacuum*, where the variables in the international environment, political system and civil society should probably be controlled as *constants and static* as preconditions in her GI equilibrium (ibid: 22, 33-37). In that model, there are "no longer the developmental states, but the 'transformative state'" (ibid: 29). However, development and democracy are never simple issues and sometimes contradict each other in the EA developmental states. Skimming discussion of the demands for welfare policies and the changes of political configuration will lead to a lopsided explanation of their developmental strategies.

Lastly, here then, Weiss's GI model is the same as Evans's "embedded autonomy" model and could be proffered as an "ideal-type" for the EA developmental states in the future. However, I still argue that revisions of developmental state theory under-conceptualize the complexity of political processes and tend to reify a rather unlikely idealized political institutional configuration into a model of the EA developmental states (Nordhaug, 1996; Underhill & Zhang, 2005).<sup>36</sup> Both Evans and Weiss avoid the issue of 'resources of state autonomous power' and 'political process' issues and set out their models on historical path-dependence and assumptions of continuity in institutional arrangement in the past. The empirical symptoms need

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<sup>36</sup> According to Weiss, the intensive institutional mechanism and bureaucracy are by no means unique to the EA developmental states, but a very ideal-typical characteristic of Weberian bureaucracy in any country.



careful diagnosis even if their prescriptions seem suitable. .

In sum, the revisions of the EA developmental states theory attempt to revive the state-centered models by emphasizing the relational aspect of developmental statism rather than its interventionist aspect (Dent, 2002). However, the revisionists remain state centric and reductionist, not giving sufficient space for elite agency. The dynamics of domestic capitalism and civil society are all reduced and subsumed beneath the unitary logic of the state.

### **Section 1.5: Typology of relations between ‘state autonomy’ and ‘state capacity’**

According to the above discussions of statist developmentalism, we can still present neo-statist and neo-institutionalist synthesized category of relations between state autonomy and capacity. Table 1.3 offers a plausible two dimensional model that could be applied to a number of developmental states.

Cells in Table 1.3 could be used independently to highlight any specific domain if necessary. For instance, the state autonomy and capacity typology in the domestic economy as revealed in Table 1.4. This two-dimensional model identifies more clearly overlapping power networks of the state depicted by Mann. The model reveals the asymmetrical power development of the state and its capacity to implement policies, which take the international and domestic domains into accounts simultaneously. This will be also close to what Mann calls the “polymorphous model of the states” (1993: 75). The strength of state autonomy in any definite network will retain a relatively different degree of capacity, whereas, there could be other forms of interactions and interplay between different power networks of the state. Table 1.3 will provide the basic image of the myriad overlapping and entwining power networks and bring the analysis of any IEMP aspect of any definite state to a clearer description. However, it is important to acknowledge that it is not possible to provide a final measure of ultimate state power and which would allow me to simplify the interplay between the different power networks. Table-1.5 provides a synthesis of the theoretical perspectives of the EA developmental states theory and their revisions.

Table-1.3 Autonomy and capacity relations typology of the polymorphous states

Autonomy & capacity of the state				Autonomy																							
				Ideology						Economy						Military						Politic					
				I			D			I			D			I			D			I			D		
				S	M	W	S	M	W	S	M	W	S	M	W	S	M	W	S	M	W	S	M	W	S	M	W
Capacity	Politic	D	H																								
			M																								
			L																								
		I	H																								
			M																								
			L																								
	Military	D	H																								
			M																								
			L																								
		I	H																								
			M																								
			L																								
Economy	D	H																									
		M																									
		L																									
	I	H																									
		M																									
		L																									
Ideology	D	H																									
		M																									
		L																									
	I	H																									
		M																									
		L																									

“I” means International Level; “D” means Domestic Level.  
 “S” means Strong, “M” means Medium, “W” means Weak.  
 “H” means High, “M” means Medium, “L” means Low.

Table-1.4 The state autonomy and capacity typology in a domestic economy

State Autonomy and State Capacity		Autonomy	
		Strong	Weak
Capacity	High	e.g. Developmental states; Weiss’s ‘Governed Inter-dependence Model’	e.g. the U.S. (Federal Government); Mann’s ‘State Infra- structural Power’
	Low	e.g. Predatory States in Africa	e.g. Some Latin American and other Third World states



Table- 1.5 Theoretical perspectives of EA developmental states theory and revisions

Theoretical origins		Conceptions and means of political analysis
Ontology	Ontological presumptions	State-centric structuralism, determinism and reductionism. None sensations to the 'structure and agency' issue.
	Core theoretical prerequisites	State activism and state unitary on national development. Strong state autonomy and high state capacity. Subordinated capitalism and civil society. Rationality of Weberian bureaucracy and autonomy of political elites. Materialism, nationalism and social mobilization.
Epistemology	Positivism	Deductive materialism and rationalism. Generalized covering laws or predictive and parsimonious models.
Methodology	Means of analytic logics	Deductive and linear or billiard ball models and equilibriums. Calculus and material rationality. Path-dependency. Tendential characteristics of rational choice institutionalism (neo-institutionalism).
	Inferential criteria and parameters	Collective interests of self-interested and rational bureaucrats and political elites. Exogenous and instrumental preferences.
	Resources and forms of dynamics	Material power shift within unit, positional change and reproductive logic.
	Power structure	Top-down, hierarchic, relational structures and institutional arrangements.
	Sampling of time periods	Generally in the synchronic or snapshot approach, few make use of comparative static strategy.
	Methods to test models	Story telling; subjective observations, descriptions and prescriptions; nominal and ordinal variables comparisons.
	Nature of international system	Anarchy
Domestic environments	Capitalism	Dependent variable to the state; fetter to state autonomy
	Civil society	Dependent variable to the state; fetter to state autonomy
Theoretical affinities		The 'bringing in the state back in' approach, realism and neo-realism. Weberian statism, neo-mercantilism, competitive state theory, strategic trade policy theory.

## **Section 1.6 Purporting ideal typical analytic framework and chapter organization**

The general aim of this thesis is to investigate transformation of the EA developmental states in a globalized economy and democracy. Unsatisfied with the orthodox EA developmental states theory and their revisions, I will argue that the transformation of the EA developmental states should not be investigated from a one-sided or state centric perspective. I am particularly concerned about the overall nature, and transformation of these states and the changing role of the state, so it is necessary to deconstruct the state by investigating resources of autonomous power of the state and its resistant forces, then try to re-conceptualize the autonomous power resources of the state and resistance from different aspects. Such an analytical recasting could unearth distinctive development trajectories and dynamics and provide comparisons and contrasts in the state theory debate. By doing so, it will be a plausible way to probe and infer the scope, contents and possibilities of how the EA developmental states can interact with its resistances in the future, and to reshape and redefine its institutional composition.

Therefore, drawing on the insights of critical social theory and neo-Weberian (non-realist) historical sociology and the methodological implications of historical institutionalism, this thesis will construct a comprehensive analytic framework and model that could be used to frame investigations into the transformations of these EA developmental states. Table-1.6 outlines the basis on which I will develop a more nuanced model that elucidates the continuity and discontinuity of the EA developmental states. It also clarifies the ontological, epistemological and methodological commitments and expectations of the framework used in this thesis.



Table- 1.6 The ideal-typical framework in this thesis.

Purporting ideal typical analytic framework in this thesis		
Ontology	Ontological presumptions	Poly-centric and multi-causal indeterminism. Reject reductionism and structuralism. Go beyond the structure and agency dichotomy.
	Core theoretical prerequisites	Open-ended and contingent historical development. Macro-social development is anarchic or unplanned. Go beyond a state-centric or society-centric approach.
Epistemology	Critical realism Post-positivism	Deductive materialism and rationalism. (causal analysis). Inductive idealism and reflexivism. Convergent and divergent realities.
Methodology	Means of analytic logics	Go beyond inductive and deductive method. Linear and non-linear model. A synthesized approach of historical and rational choice institutionalism. Path dependency and path-shaping. Strategic-relational inferences. Punctuated evolution and punctuated equilibriums. Calculus rationality and ideational reflexivity. Process and dynamics.
	Inferential criteria and parameters	Endogenous and constructed preference.
	Resources and forms of dynamics	Material-based calculus logics. Non-material (ideational and institutional) resources. Transformational logics (a constellated reorganization of any unit or power).
	Power structure	Polycentric power configurations.
	Sampling of time periods	The diachronic approach to change. Comparative static of periodisations.
	Methods to test models	Comparative historical sequences. Methods applied by historical institutionalism. Nominal, ordinal variables comparisons, narrative analysis, within-cases strategies. Processing tracing.
Theoretical affinities	Critical realism, post-positivism, historical institutionalism, the English School and historical sociology of IR, constructivism, reflectivism and strategic-relational approach.	



The thesis is organized into seven chapters. The Introductory chapter comprises the introduction and literature review of the EA developmental states model. In Chapter Two, I have argued that an account of transformation of the EA developmental states should start from basic explorations of the overall changes on resources of autonomous powers of the state and resistant forces in the IEMP model. Only through investigating their power resources bases, power strength and interplays, can there be a clear test of their changing nature and structural power configurations. I also re-conceptualize state autonomy and capacity to specify the polymorphous aspects of the EA developmental states. These resources are used to construct and analytic frame work in Chapter Two.

Chapters Three to Six provide empirical studies consistent with the research design to test the validation of the arrow diagram in 2.4 and hypothesis. Chapter Three provides a brief survey on specific historical juncture prior to 1950, the year KMT retreated to Taiwan as an antecedent condition. Chapter Four investigates the impacts of four independent variables (IVs) in 1949-1986, to show how the developmental state was constructed and how the power constellation shifted over four decades. Chapter Five and Chapter Six in turn investigate the changing power configuration among the four IVs by analyzing their autonomous power resources. Chapter Five reviews the variables of the international system and domestic capitalist development; and Chapter Six focuses on variables of civil society and the state's resistance to its resistances. These two chapters will outline the causal mechanisms as prelude to the discussion of the dependent variable in Chapter Seven. This chapter will review the investigations in the preceding chapters to explore the most prominently debated issues in the process of development in Taiwan, and then posit an ideal-type mode of how the developmental state in Taiwan can continue by re-territorializing and re-defining the boundaries and roles of the state. The thesis will end by summarizing the academic contributions of this thesis to the divergent and convergent paradigms in political science; and to international relation theory and developmental studies.



## CHAPTER TWO

### Constructing Analytic Frameworks - Resources of Autonomous Power of the State and Resistances

In this chapter I will present the main conceptual tools and theoretical perspectives that I will be applying throughout this thesis. Drawing on the insights of state-centric developmental states theory, a generalized and stylized theoretical application in EANICs, in 1.1.2, I have examined the main theoretical basis and premise-resources of state autonomy in the EA developmental states model. This chapter will go further bringing in conceptions of *resources of autonomous power*, *resistance to the state*, and *resistance to resistance* to explore the dialectical relations between the state and its resistant forces, in normative state theory. This thesis will consider what neo-statists and neo-institutionalists stress; that the leading roles of the state in these countries are suspect, particularly as they are located in a globalized economy and possess democratic regimes. As highlighted, the perspectives of EA developmental state theories offer some useful insights into the miraculous economic take-off in this region over the past four decades. Nonetheless, we need to come to grips with ongoing processes as well as the new challenges that will reshape the role and status of the states as East Asia's economies become more mature and its civil societies become more assertive. This thesis aims to set out from the methodology and doctrines of the classical political and sociological theories to re-investigate and re-conceptualize the crucial variables in the orthodox EA developmental states theory and their revisions.

By utilizing and expanding Mann's IEMP model, this chapter endeavors to construct polycentric models and multi-causal power configuration to re-investigate changes in the EA developmental states caused by integration with the global economy and democratic transition. However, change of this power configuration will induce a change in the organizing principle governing the distribution of power between the state and its resistant forces. This thesis insists that this power redistribution will involve a profound purposive transformation of the prevailing form of institutional



rationality in the EA developmental states. Therefore, the methods employed by this thesis do not reject the tendential rational choice institutionalist characteristics of economic calculus by rationality, however I insist that the methodological parameters should not only reflect the rationality inference and calculus of materials and institutions but should also expand into the ideational and strategic reflexivity of both structure and agency involved in the process of transformation. It is a more plausible and nuanced way to resolve the practical continuity and discontinuity issues in these developmental states.

In this chapter, I will begin by de-constructing the state by probing the characters of state's resources of autonomous power in Mann's original IEMP model and explore his theory of the state. I will attempt to provide a theoretical legitimation for the resources of autonomous power of *resistance to the state* in my expanded IEMP models by reference to different levels of analysis that comprise international system, the state, domestic capitalism and civil society. Then I will bring in the conception of *resistance to resistance* to redefine the scope of the state.

The chapter is organized into six sections. The first section will outline the concept of the resources of autonomous power of the state and resistance. The second section will discuss the significance and definition 'autonomous power' in political analysis as Mann conceives its application to organizations and networks. The third section will discuss Mann's polymorphous "organizational materialism" and state theory in the IEMP model. Section four will consider the application of the IEMP model to the resistant forces. Section five will discuss Mann's methodology. The final section will expand on Mann's IEMP model in a way that will enable it to be operationalised in the research design of this thesis. This chapter will provide useful insights into the vital variables, institutional mechanisms and transformed processes in the EA developmental state theories. I will be able to re-view them through the prism of classical state theory and capture the empirical and historical complexity of the role of the states in the EA developmental states.



## Section 2.1: The significance and definition of ‘autonomous power’ in political analysis

The aim of this thesis is to investigate transformation of the EA developmental states in a way that is not one-sided or state centric. I am particularly concerned about the overall nature, and transformation of these states and the changing role of the state, so it is necessary to deconstruct the state by investigating resources of autonomous power the state and its resistant forces, then try to re-conceptualize the contents of autonomous power resources of the state and resistance from different aspects. Such an analytical recasting could unearth distinctive development trajectories and dynamics and provide comparisons and contrasts in the state theory debate. The outcome will provide a way of understanding how the EA developmental states might interface with resistant forces in the future, and reshape and redefine its boundaries.

The significance of the concept of autonomous or independent power of the state has been discussed at length, especially in statist and Marxist literature (Block, 1980; Evans, 1995; Jessop, 1990, 2002; Krasner 1978; Lukes, 1972; Miliband, 1983; Moore, 1957; O’Connor, 1973; Poulantzas, 1968; Skocpol, 1985, Weiss, 1998, 1999 and 2000). Primarily, different theoretical approaches are offered that focus on issues regarding how the autonomous power of the state, executed by the political elites or government bureaucrats, and affected by the pressure of interests in civil society. Nevertheless, few state theories employ the same concept to measure autonomous power of resistance against the state power in empirical research, or construct theoretically applied work to elucidate the development of civil society and economic organizations. What has been done most by Neo-Marxist or normative statist is speculate on the *execution and outcomes of the autonomous power of the state*, however few of them focus analytic attention on these *sources, causes, scopes, mechanisms or limitations*.

For pluralism and liberalism, the state is a reflective image mirroring the configuration of power among interest in society (Dahl, 1961: 228; Lindblom, 1965; MacPherson, 1973:188; Nozick, 1974). There is no autonomous power of the state in



pluralism. In the Marxist strand, the state is “heteronomous” (Jessop, 1990:89) and directed by demands and interests of dominant class and “reflects a complex parallelogram of (economic, political and ideological) forces” (ibid). In order to retain long-term benefits for the capitalists, the state possesses “relative autonomy” (Poulantzas, 1968) against civil society and the dominant classes. On the contrary, statist or neo-realists assert unitary state agency and the ability of the state to shape society. Accordingly, the state is endowed with fully autonomous power for its uniqueness among social control organizations. The key divide among the existing state theories could be synthesized into taking the autonomous power or autonomy of the state for granted or not.

However, the conception of autonomous power is also important to scholars who emphasize the importance of the resistant forces to the state. None the less, few of them expand this discussion of the resistant forces to the state in their accounts of normative state theory. The rational *problem-solving* approaches (in Cox’s terms, see Cox 1981) and Marxism are all stylized and terminated structural expressions or totalities which reduce the development of history to a mono-dynamic or logic. Individual agency is fatally constrained in the matrixes they provide. For further deliberating on the conception of autonomous power to solve these impasses, the rest of this section will attempt to identify and contrast the definitions and operationalisations of autonomous power in neo-statism and neo-Marxism by referring to the state and its resistance and to justify the contingent and emancipatory development of human history.

As described in the Introduction, Mann identifies the power organizations of social control with three characteristics of form and four of substance that determine the overall structure of societies. The former refers to the forms or types of power that could be attributed into collective and distributive, extensive and intensive, authoritative and diffused powers; the latter refers to the IEMP powers model (Mann, 1986; 1993). In Mann’s model, he categorizes organizational forces into ideological, economic, military and political organizations and power networks that control these related powers. He embodies these four major organizations by referring to



transcending media, norms and values; capitalist development; militarism and the state in the modern world. Meanwhile, Mann claims these overlapping power networks in the society possess different dynamisms and move autonomously with their own logics (1986:1-33). However, Mann does not further clarify the practical operationalizations of these power networks at different levels (i.e. international or domestic levels), but rather he deploys the conception of ‘myriad overlapping and intertwining’ to implicitly denote their complexities (see Hobson, 2001; Hobden, 1999b). Figure 2.1 presents Mann’s original IEMP power networks and analytic framework.

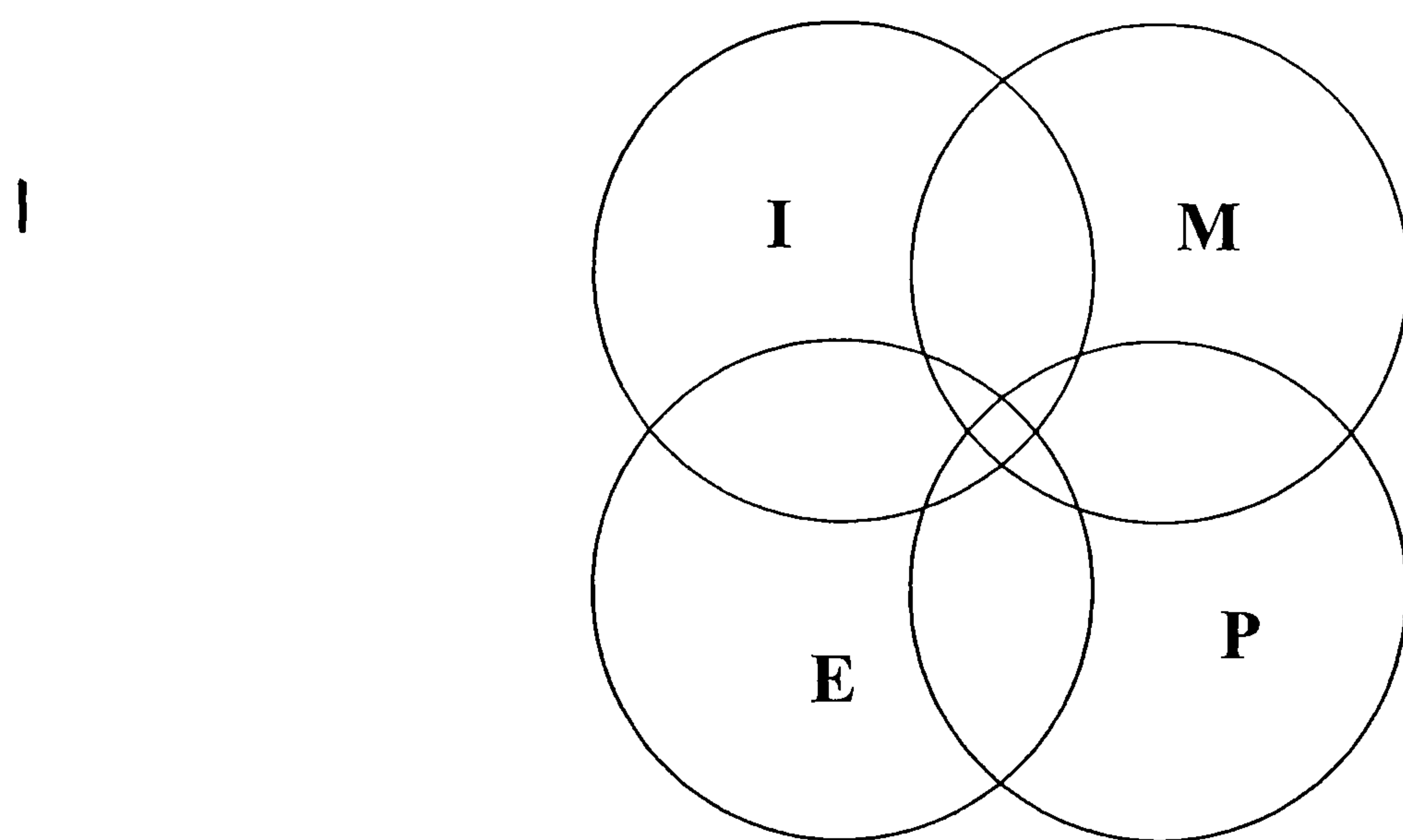


Figure 2.1 Mann’s Original IEMP power networks (Source: Modified from Hobson, 2000: 196)

As with respect to the definition of power, in the neo-or post-Marxists strand, Jessop’s work is particularly noted and widely accepted by theorists of different paradigms- including critical theory (see Devetak, 1996; Linklater, 1990) and constructivism ( see Hay, 2002; Reus-Smit, 2003).<sup>37</sup> To Jessop, power configurations are spatial-temporal fixes (Jessop, 2000; 2001). The specific power configurations and hegemony projects of the state will generate a “historical bloc” or “historical junctures” (Jessop, 2000:333) to provide the departing point of any unfolding process of “structural

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<sup>37</sup> Jessop (1990) admits his concepts of power and hegemonic project of the state are inspired by Gramscian explorations on hegemony and power, however he has recently gone on to emphasize the importance of going beyond structure and agency dichotomy in his ‘strategic-relational approach’ (see Hay, 2002: 126-134, 209-213; Jessop, 1990, 2000, 2001).



coupling and co-evolution” (ibid: 328) of continuity and discontinuity in history. In this sense, Jessop’s preliminary power structure is close to Cox’s critical concepts of international power configurations and structural powers constellation (Cox, 1981; 1995) and the work of many historical institutionalists and constructivists. It is a useful starting point of any specific historical analysis of the state. History is not assumed to be determined and Jessop’s framework allows for an exploration of the power origins of the state. Jessop provides an open-ended and contingent base upon which historical analysis can be based.

Particularly, Jessop emphasizes not that only the ecological dominant systems (i.e. economic or political systems) are operationally autonomous from the other extra-economic or non-economic systems in society. Jessop claims that these “operationally autonomous but independent systems share the same social space, their development tends to become structural coupled through mutual adaptation to the changes in their environment generated by the operations of the other systems-adaptations which are governed by each system’s own operational code or organizational logic” (Jessop, 2000:332). He also argues: “the effectiveness of state power depends on the balance of forces in a given situation and is thus reinforced through the mobilization of support for official policies as well as through the monopolization of the means of coercion” (Jessop, 1990:128-9). Especially, in his ‘strategic-relational’ approach, Jessop uses conceptualizations of “reflectively reorganized structural configurations” and “recursively selected strategies and tactics” (Jessop, 2001: 1223-1224) to concretize the empirical operations and processes of autonomous powers of both structure and agency. These statements of power by Jessop scarcely differ from prescriptions in Mann’s IEMP model and historical institutionalism. As Hay (2002) notes, analysis of the distribution, exercises and consequences of power in a definite spatial-temporal fix is accepted by theorists with divergent stances.

Therefore, the term *autonomous power* in this thesis is used to capture the characteristics of distinctive structures and agents that possess a certain degree of resources of power and could act autonomously and independently. This power will



not only be monopolized by the state but also be held by any social control organizations or agents. Further, the conception of organizational autonomous power in this thesis will concur with what Mann (1986) claims, is a different approach from Lukes's concept of power (1972). In contrast to Lukes, Mann emphasizes: "like Giddens (1979:91) I do not treat 'power itself as a resource. Resources are the media through which power is exercised'"(Mann, 1986:6). Mann's central concern is not to investigate how the power is operationalised by the agents but to identify the major alternative 'media' or power sources, then, try to devise a methodology for studying organizational power (ibid). In this way, he draws his attention to how different characteristic powers with material resources are actually used by the power holding organizations or institutions for the purpose of social control.

Mann's definition of power, as used to explain state power is quite similar to Jessop's depiction of state power focusing on the 'means and media' of power execution and resources of power. However, in contrast to Mann's emphasis on the calculable and quantitative materialist approach (even referring to 'ideological power'), Jessop further expands the scope of power resources to the non-material facets (ideational and institutional powers) and insists the definition of power should be traced to its resources—not only in materials, but also to include ideas and institutions. However, the strength and practical operationalizations of power in ideational and institutional facets *are mainly inferred* from material resources of autonomous power in both Mann's and Jessop's original works (Jessop, 1990: 265; Mann, 1993: 52). However, Jessop's 'strategic-relational approach' has paid particular attention to overcoming this impasse by drawing attention to the reflexivity of structure and agency (see Hay, 2002; Jessop, 2001).

In order to go beyond an ontological structure and agency dichotomy, the conception of *resources of autonomous power* in this thesis mainly refers to underlying forms of material capabilities, legal political, economic and social mechanisms, along with ideational resources available to actors. The rationalism and materialism in Mann's original model limited its explanatory capability and application weakness (see Hobden, 1998: 134-141, 1999; Jacoby, 2004; Smith, 2003, 233-34). To overcome this,



analytic models and framework used in this thesis will pay a particular attention to the operationalization of ideational power.

## **Section 2.2 Characters of Mann's autonomous power organizations and networks**

According to Mann (1986), real social life is more complex than its dominant institutions. Mann recognizes “that there exist different sources of power, deriving from ideological, economic, military and political organizational forms. These different power resources combine in different ways at different historical moments, and the challenge is to tease out the source that might be dominant, the relationship between different sources of power, and how these different sources of power consolidate into different social relationships both at a particular historical moment and in comparison to other epochs” (Barnett, 2002: 118). The exploration of transformations of human society could be reached only through the study of the myriad social networks and different types of power, by developing a sophisticated understanding of the complex interconnections and powers of various crosscutting interaction networks. The more institutionalized these interrelations, the more the various power networks converge toward one unitary society.

However, as Jacoby refers there are two implications arise from Mann's social power networks. The first is its duality, and the second is its omnipresence (Jacoby, 2004). As such, any dominant organization in society has never been sufficiently institutionalized to prevent ‘interstitial’ emergence of new challenging forces, organizations, or even the state. *That is to say, challenges to existing dominant-power institutions will still emerge from between their interstices and around their edges*--where the autonomous myriad power networks lie, creating new relations, institutions or movements that have unanticipated consequences for the old. This will enable a reorganizing spurt, and a reorganization of both the myriad networks of society and its dominant power configurations (Mann, 1986:15-16, 20).

This is similar again to what Jessop suggests: “ (t)he state is just one institution ensemble among others within a social formation, but it is peculiarity of charging with



overall responsibility to maintain the cohesion of social formation of which it is a part”(1990:360). “(T)he exercise of the state’s powers always comes up against structural constraints and resistance which inevitably limits its ability to master the social formation” (ibid:361). The resistant forces have their own modes of calculation, distinctive logics, resources and capacities that will render them in turn recalcitrant to direct control by the state (ibid:360-2). According to Jessop’s more recent work, the globalized capitalism and political system are the most dominant ecological variables and imperatives in the social system and modern world. However, they still structurally couple and co-evolve with other interdependent systems that are operationally autonomous and have their own instrumental rationalities, logics of appropriateness and institutional dynamics (Jessop, 2000).

Following this line of reasoning, the more resources one organization (i.e. the state) can control the more autonomous it is and the greater range and scope it could effectively dominate, however, none of them can monopolize any forms of power. As Hay notes, that while “theorists and critics from divergent political and ethical stances are unlikely to agree upon the legitimacy of the actions of the powerful, they may at least share a common analysis of the distribution, exercises and consequences of power within a given social and political context”(2002: 186-187). The approach stands apart from the distribution of autonomous power and *provides a persuasive standpoint that the state is not the unique organization of power for social control. This approach could therefore be a feasible way to investigate the autonomous power of the state and resistant ones in the IEMP model from a power relative and distributive perspective.* This power distribution perspective sustains the strong backdrop for the proposals for investigating transformation of the EA developmental states in the era of globalized economy and democratic political systems must take resistant forces at civil society and international system levels into consideration simultaneously, treat them as major independent variables in the process of state’s transformation, and investigate their changes and dynamics via their resources of autonomous power. Without referring to these resistant forces, the analysis of state’s transformation will be superficial.



Moreover, according to Mann, the IEMP model could be identified by the two other sources of autonomous power, power networks and organizations. In the first aspect, the power networks in IEMP model should be understood as overlapping and intertwined. Any historical crosscuts and events were impure and promiscuous with “varying combinations of the four power revolutions, carrying the classes, nations and their rivals forward in complex forms that often escape their own control” (Mann, 1993:4). They are not like billiard balls, which follow their own trajectory, changing direction as they hit each other. They are overlapping and intersecting power relation networks, entwined with each other, changing one other’s inner shapes as well as their outward trajectories with different socio-spatial boundaries and dynamics. Different social control networks cannot be the mere consequence of other sources of social power. Their interrelations produce unanticipated, emergent consequences for power actors and reconstruct power configurations (Mann, 1986, 1993, 1997). Underneath different autonomous networks there still remains the sub-level of myriad sub-networks of power operation. Therefore, the political, economic and social transformation and trajectories have distinctive dynamics and always entwine more than one power source.

The second character of IEMP power networks is that the transformation of these intertwined networks will proceed in non-dialectical and non-systemic ways. The consequences and results of their interactions will be contingent and unpredictable. Although the transformations of power networks have been multiple, entwined, and developed interstitially, nevertheless, the whole has been a non-systemic, non-dialectical process between historically given institutions and emergent interstitial forces. Not only the power organizations, but also the different power networks developed with their own partly autonomous and dynamic logic. No power agents could comprehend and take charge of all this (Mann, 1993). These two characteristics make Mann’s IEMP model, unlike the other statist works, an open-ended and contingently inferred logical archetype.

These two characteristics of Mann’s IEMP power networks provide origins for the open-ended and contingent outcome of historic evolution. The process of state



formation and form should be analyzed in different networks and from different perspectives. Mann's IEMP power networks also suggests another possible convergent point between the neo-statist, neo-Marxist, critical theory and constructivism that share the open-ended and evolutionary perspective of the transformational processes and changes.

### **Section 2.3 Mann's polymorphous "organizational materialism" and state theory in the IEMP model**

Mann is to a greater or lesser extent a neo-Weberian statist (see Hobson 1998, 2000, 2002; Hobden, 1998, 1999a, 1999b, 2002). According to Mann's IEMP power model, he postulates a quite different point of view about the autonomous power of the state from other radical statist's views such as theorists of the "bringing the state back in" or "first wave neo-Weberian historical sociology" trend (Hobson, 1998). Mann (1993) asserts that he "believes that states are messier and less systemic and unitary than each single theory suggests" and recognizes that he has "borrowed from all the principle state theories to generate his own partly institutional, partially functional polymorphous theory" (Mann, 1993:88). Mann also understands the limits and constrains of autonomy of the state in a representative democratic regime, but rejects democratic voting as ultimately decisive. He argues that "more forms of power than voting and shared norms help decide outcomes" (ibid). Consequently, he applies characteristics of his original IEMP network on the reproduction of state power configurations and allows the possibility of varying "imbalance power" or "asymmetrically developed power" within the state power networks as he has developed in his IEMP model. He names it "cock-up" or "foul-up" state theory (ibid: 53).

Mann characterizes the modern state with four higher-level crystallizations in line with his IEMP power network of the state: capitalist, representative, national and militarist (ibid: 81). He then further concretizes these four higher-level crystallizations into capitalist economic relations and development; representation in democracy polity and centralized versus local regional power; national centralization by



infrastructural power in Weberian bureaucracy; and the professionalizing and bureaucratizing of state militarism and foreign policy (ibid: 81-2). He emphasizes the institutional particularities of the state and describes his model as embodying “organizational materialism” and embracing “institutional statism” (ibid: 52). However, the asymmetrically developed autonomous IEMP powers of the state mean that Mann’s four state’s crystallizations become a form of ‘polymorphous statism’. As Hobden comments “Mann’s concern is to develop a notion of the state that stresses its multifaceted and contradictory characteristics” (1998: 4).

Therefore, by prominently emphasizing the influential power of social control organizations and existing power structures and networks, we can claim that Mann has embedded materialist structuralism and substantial historical institutionalism into his IEMP model. However, Mann does not give up on the importance of human will as a major dynamics in progressive history. Moreover, Mann asserts it is impossible to develop a general state theory that could be applied to convey characteristics and aspects of all states in the real world, and insists that there is no single universal and final measure of political and state power. He argues “for diverse crystallization to result in a singular system state would require not only extraordinary organizing abilities by the state officials but also extraordinary political interests by civil society actors” (Mann, 1993:79-80). Mann insists contemporary modern states are constituted non-dialectically and contingently by entwined contests over all four crystallizations, therefore any single state crystallization may weigh more heavily on state behavior and cause consequences for others (ibid: 86-8).

To Mann, what makes the modern states different from other social control organizations are their capabilities in establishing institutional infrastructures. Mann aims to provide evidence for “the regulation of aspects social life which are distinctively territorially centered” (1993:88), however civil society is unable to centralize and territorialize these aspects by itself. As such, he highlights “the central state personnel may constitute an autonomous power actor” (ibid: 88) with “infrastructural capacity” (Mann, 1986, 1993). While this is similar to Skocpol (1985) and Evans’s (1995) views about the autonomous power implemented by government



bureaucrats and the asymmetrical power distributions among different sections of government. Mann leaves more space for new challenges from resistant forces to supersede the dominant power in existing power configurations. Mann also allows for more open-ended possibilities and contingency for transformation of the state than in classical statist or neo-institutionalist theories. This will be explicated in more detail in the next section.

#### **Section 2.4 Legitimizing the application of IEMP model into resistant forces to the state**

In Mann's IEMP and state crystallization model, the state is not a unique organization proposing to effectively attain human goals. Functional and institutional distinctiveness and uniqueness from other social institutions makes the state acquire autonomy and control to mobilize territorialized and centralized resources. However, this specific difference still leaves a space for the social forces to challenge the control and autonomy of the state (Mann, 1986b; 1993: 88). Even Mann insists that increases in state infrastructural power will territorialize social relations, however he still acknowledges that the control of resources oscillates between the state and civil society, and is actually a dialectical relation between them. When the power of infrastructures pioneered by the despotic state shift into civil society or resistances, it will increase their general power to supplant or resist the uniqueness of the state. Mann acknowledges "if the state then loses control of its resources they diffuse into civil society, de-centering and de-territorializing it" (Mann, 1986b: 134-135).

In Mann's recent writing about development of modern states and globalization, he takes a more prudent attitude toward the autonomy and capacity of civil society and the local, international, transnational and global network (1993:61; 1997:472-96). He indicates there are five ideal-types of analytical socio-spatial power networks or levels- a local (sub-national)network, a national(state) network, an international (geopolitical) network, a transnational (macro-regional) network, and a global network (see Barnett, 2002; Mann, 1997) . Mann also emphasizes the capacity of civil society to control the state, especially in the democratic-party states (1993:61) and



admits the possibility that globalized capitalism impacts on state sovereignty (1997: 472-96). Therefore, Mann even claims: “modern states and civil societies interpenetrate too tightly for autonomy without power” (1993:61). Mann reminds us that “while the contemporary international system gives significant advantages to states, there are another ways in which the playing field is leveled; that there are also normative forces that constrain state actor; and that the state system does not define global politics or preclude non-state actors from bringing about historical change” (Barnett, 2002: 117-8).

As Barnett notes, “Mann’s modified network approach identifies the possibility of several, analytically distinct, spaces of interaction, the organizational forms those interactions produce, and the different resources and powers that those organizations possess” (2002: 117). The state’s objectives and process of policy implementation are determined by “collective restraints upon both state’s infra-structural and despotic organizational authority” (Jacoby, 2004: 409). The former is “curtailed by decentralized networks of power such as market forces, arms proliferation and anti-statism” and that will entail “some degree of decentralization and collective co-operation with non-state groups” (ibid: 409-410). The latter relates to “the state’s distributive power or the range of actions which the elite is empowered to undertake without routine institutionalized negotiation with the civil society groups”, however “limited by localized interests, judicial autonomy and multilateral regimes” (ibid: 410). To Mann, “the state is polymorphous, enjoying many different identities as a home to both distributive, despotic action independent of domestic and geopolitical influence and to collective, infra-structural action restrained by forces of sub-state localism and supra-state internationalism” (ibid: 412).

As Mann explicitly points out, the *power* of the modern state principally concerns not *state elites* exercising power over society (in reference to despotic autonomy of political elites) but the infrastructural power located in “a tightening state-society relation, caging social relations over national rather than the local-region or transnational terrain, thus politicizing and geopoliticizing far more of social life than had earlier states” (1993:61). Thereby, the ‘asymmetrical power network’ principle



could also be applied to explain the development of resistant forces at social and international levels. Alongside the processes of contingently mutual interpenetrating, the autonomous power networks of the state and resistant forces will differentiate and diversify following their distinctive logics or momentums. Some powers proliferate, enforce and some retreat. However, Mann admits “the power autonomy of both states and classes has essentially fluctuated, dialectically. There can be no general formula concerning the ‘timeless’ degree of autonomous state power” (1986b: 130) and the resistant forces to the state. .

Even the radical statist insist that the state should be the unique and central institution in social analysis and a major independent variable of the causal inference model in social life, and they still cannot deny and neglect that the autonomous range, scope and measures of the state are variable and will be challenged by other agents possessing resistant power (Evans, 1995; Jessop, 1990:282, 360-4; Skocpol 1985:14, 19; Weiss, 1998). As Mann points out different state theorists share one congruent view: “that states are both actors and places, that these places have many mansions and varying degrees of autonomy and cohesion, yet also respond to pressures from capitalists, other major power actors, and more general expressed social needs”(1993: 53). Moreover, *state autonomy* is not a fixed structural feature of any governmental system. The actions of autonomous state change over time by its very structural potential in relation to particular kinds of socioeconomic and political environment, and with given interests and resources. That is, the powers of the state should be examined from the relational perspective over domestic and transnational non-state actors and structure. As Skocpol states, “not only does the scope for autonomous state action vary but so do the capacity and readiness of state managers to follow an independent strategy relative to non-state actors” (Skocpol, 1985:14,19).

A few state-oriented accounts of the developmental state in EA also recognize the limitation and application of the developmental states model and the possibilities of it being superseded by social forces or international alliances (e.g. Evans, 1995; Skocpol, 1985; Weiss & Hobson, 1995). This is what Evans concludes commenting that the research results should be sobering (1995: 227-50). The vulnerability and weakness of



the EA developmental states originated from the variable relations between the state and society. Once the social structure changes, the original cooperative and mutual benefiting structure changes too. “As the process of industrial transformation unfolded, the power and interests of private entrepreneurial groups changed” (ibid: 224). Private businesses will develop their agendas and seek new alliances to supersede the organizations and policies that created them, and force the state itself to change. The growing insurgency will mushroom from repressed civil society (labour class) and its request for their political and economic justices. Apparently, the reciprocal shaping of state and society is not always mutually reinforcing. Informatics agencies were transformed and sometimes marginalized by the industries they helped create. At a more general level, the social structural bases of the developmental state have been at least partially undercut by the new industrial society it helped created (Evans, 1995: 227-50).

In order to overcome these impasses in EA developmental states model, the present thesis accepts the basic lines of social development and research strategies posited by Jessop (1990, 2001), Mann (1986, 1993) and theorists influenced by critical theory and historical institutionalism. I am adopting an evolutionary perspective which implies that a large part of macro-social development is anarchic, unplanned, “blind co-evolution” (Jessop, 2000:333) but spatio-temporal coupled and thus varies in accordance with the prevailing environments. The historical juncture here is also in line with Cox’s (1986) “historical structure” conception defined as “a particular configuration between ideas, institutions and material forces” (Cox, 1986:218). As described above, it is a convergent perspective shared by these related approaches. In particular, this thesis aims to assess the relative weight of different institutions and social forces in determining specific outcomes in a changing conjuncture from a power distributive perspective and insist the possibility of co-revolution (Jessop, 1990: 103) and contingent processes. The inevitable *contingent necessity* of social development will be highlighted in the investigations of the continuity and discontinuity of the EA developmental states.

At a more profound level, rather than taking the EA developmental state model as a



given and a trans-historical feature, this thesis seeks to investigate the structures and resources that constitute them, and the processes that have led to their formation and how they have varied result in contemporary forms in the geographical and historical spatio-temporal fixes. Following this line of argument and reasoning, I will analyze the waxing and waning of resources of autonomous power in the state and its resistances, and investigate the changing nature of the state and re-define its boundaries.

## **Section: 2.5 Applying Mann's methodology to this thesis**

In Mann's original model, the dialectic power resources between the state and resistances, between structures and agency are perpetual and continuously interacting ones. Nevertheless, the whole was a non-systemic, non-dialectical process between historically given institutions and emergent institutions. This section will investigate the transformational dynamics of organizations in Mann's model and anatomize the methodology he employs. I conclude by showing how, with appropriate modification, his model will be applied in this thesis.

### *2.5.1 Mann's dynamics of transformation and methodology of power resource*

According to Mann, any social control power networks (mainly, the organizations and institutions) interact and overlap with other power networks with their specific resources of autonomous power. Therefore, human history is made by these myriad and endless intertwining interactions. However the operationalizations of these power configurations are impure and promiscuous. They are interweaved intricately "in and out of one another in a complex interplay between institutionalized and emergent interstitial forces" (Mann, 1993:10). No single power agents could comprehend and take charge of all this. In Mann's work, he ostensibly places more weight on human agency than any path dependency on legacies and historical structures that shape, or limit, transformational dynamics. He argues that: "the dynamic of society comes from the myriad social networks that humans set up to pursue their goals" (Mann, 1986: 19). Tunneling ahead to achieve their goals, underneath ostensibly stable networks,



human beings emerge forming new networks with rival configurations to the existing ones (ibid: 1-33). Nonetheless, Mann states that “the driving force of human society is not institutionalization. History derives from restless drives that generate various networks of extensive and intensive power relations. These networks have a more direct relation to goal attainment than institutionalization has” (ibid: 13) and that the “‘interstitial emergences’ are outcomes of the translation of human goals into organizational means” (ibid: 16).

Mann provides two resources to explain the emergences of institutional transformation and changes. The first resource of change refers to the resistance of unsatisfied agents to the existing power networks or structures. Mann claims that the “societies have never been sufficiently institutionalized to prevent interstitial emergence” (ibid: 16) and prevent resistant forces from superseding the old ones. The second resource of change comes from the weakness of institutions themselves, that is, the reproduction of existing institutions is incomplete and unstable. Mann agrees that “many networks remain interstitial both to the four power sources and to the dominant configurations; similarly, important aspects of the four sources also remain poorly institutionalized into the dominant configurations. These two sources of interstitial interaction eventually produce a more powerful emergent network, centered on one or more of the four power sources, and induce a reorganization of social life and a new dominant configuration”(ibid:30). Therefore, in Mann’s IEMP model, the goal-pursuing and unsatisfied agents are the major resources of the organizational changes and transformation in history.

However, even though Mann’s explanation of resources of change emphasizes the goal-attaining impetus of human beings (agency), he still endows the structural power networks (mainly referring to the social control organizations and historical constructed power structures, tangible or intangible) with the same impetus and dynamics to change as human beings. These structural dynamics and impetus are embodied distinctively developing logic to change and transform. However, Mann does not further clarify the dialectic relations between structure and agency or provide accounts of how to go beyond them as do Giddens (1979, 1984) and Jessop (1990).



Mann concentrates more on how the material power resources are “willed by the organizations or institutions” (1986: 6) in forms that are extensive and intensive; collective and distributive; and authoritative and diffused. Mann claims his methodology of power focuses on problems of “organization, control, logistics, communication- the capacity to organize and control people, material, and territories, and the development of this capacity throughout history.... rests on measuring socio-spatial capacity for organization and explaining its development”(ibid:2-3).

As such, Mann deploys his methodology and approach to power by emphasizing conceptions of ‘organizational materialism’ and ‘history of power’. It is not difficult to refine Mann’s IEMP model by paying closer attention to the structure-agency issues. Mann tackles the structure–agency in a way that is similar to those of critical realists (see Archer 1998; Bhaskar, 1989; Lewis, 2002). In critical realism, structure and agency can not be reduced to each other and enjoy a certain degree of autonomy from the other. Mann’s method also reveals the combination of latent structuralism and historical institutionalism, while not overlooking the concerns of material-rationalists (see Dimaggio, 1998; Hall and Taylor, 1996, 1998; Hay and Wincott, 1998; Jessop, 2001).

Therefore, Mann’s method indeed provides a more deliberate approach than the structural power relation approach employed by the classical statist or rational-choice institutionalists and essentially involves using duality to transcend the structure–agency dichotomy (see Jacoby, 2004). However from a methodological perspective, Mann does not further provide distinctions or deliberations that explain changes of substantial nature and characteristics of power or how these powers realistically operate beyond the structure-agency dichotomy. There is little recognition of the differential capacities of actors, and despite the reflexive transformation of structure by agency.

Many empirical or revised works on the transformation and change in the EA developmental states, accepting statist or neo-institutionalists assumptions, set out from a similar conception of structural power as historical institutionalists do (see



Hall and Taylor, 1996: 941). They prominently highlight the active role of the state agency, emphasizing the 'activism of the state'. Further, they subtly and substantially emphasize the static continuity of a historical and institutional configuration of power array as 'state reductionism' does, on the other hand. Thus, the activism of state agency employed in the orthodox developmental states model and its revisions is used to legitimize the perpetual leading role of the state and to argue for path dependent effects generated by existing 'state capacities' and 'policy legacies' that support the reproduction of the state. Therefore, the agents in resistant forces are conceptualized (contextualized) as 'fettters' opposed to or against the state. The resistant forces are implicitly depicted as reactive and their agency is understated.

As such, the major methodological deficit in the 'bringing in the state back' approach is that it can not provide a persuasive interpretation on the changing characteristics within the states or account for the impact of resistant agents. Likewise the vigour of these major actors, who have reflexive capacity, is not explored. Thus, transformations of power configuration in these states depicted by the statist are presented in a superficial way. As Ruggie comments on realism, these accounts "contains only a reproductive logic, but no transformation logic" (1986:152). For neo-statists or neo-institutionalists, the changes in the EA developmental states are deemed as a 'change in unit' and as a 'power shift'. They are not seen as a change of the unit (see Hall, 1998). Whereas, "a shift is a locational redistribution of power, wealth or leadership within the unit. A transformation is a structural and a configurational reorganization of any unit" (ibid: 270) that concerns more of the substantial nature of power.

The major purpose of this thesis is to probe the continuity and discontinuity of the EA developmental states by developing a more nuanced method in relation to the variations of social forces and resistance to the state. The investigation of transformation in these states will insist the resources of transformational dynamics should exist in the pre-existing structure of any given time and derive from the current exercise of human agency not only referring to the state but also include resistant forces. Therefore, this thesis will reject methodological reductionism and avoid the



deterministic reduction of actors to reflections of state determined structures. The major agents will be portrayed “as constantly drawing upon pre-existing social structures in order to act, with the ensuing actions subsequently bringing about the reproduction or transformation of those structures” (Lewis, 2002: 19).

### *2.5.2 Mann’s methodology for inferring power resources and networks*

As noted, Mann’s work is prone to emphasize subterranean structuralism and historical institutionalism.<sup>38</sup> In Mann’s original IEMP model, he deploys his “methodology to ‘quantify’ power, to trace out its exact infrastructures, and it is immediately obvious that quantities of power have developed enormously throughout history” (Mann, 1986:30). Apparently, this approach is deeply seated in rational materialism.

However, Mann’s method in his model leaves an ambiguous paradox. Jacoby argues that Mann purports to use “a systematic methodology to generate a generalized form of knowledge” (2004: 404) and study the large-scale social changes. He states that Mann’s work and methods are distinguished from neo-Weberian sociology in four ways. “The first is his fusion of structural conceptions of large-scale social change to the empirics of individual action. The second is his four part theorization of social power and its implication for the analysis of the state. The third is his endeavour to find a middle ground between comparativist and linear historiography. The fourth is his combination of contextual specificity and nomothetic generality” (ibid: 404). Jacoby describes Mann’s methodology as resting on “a multiple micro-foundation basis” that commits to “methodological individualism” and with empiricism replacing “theoretical complexity as a means of approaching causal primacy” (ibid: 407). This approach combines the “fundamentally materialist accounts of goal-directed behaviour with abiding, if instrumental, emphasis on the causal role of organized

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<sup>38</sup> In Mann’s IEMP model, the existing power structure is characterized by path dependency and highlighted by the prominent importance on distribution of power in a polity as a structural conjuncture and entry point at any given point in time and develop their causal inference logics mainly along with Weberian materialistic rationality (Jacoby, 2004; Mann, 1986, 1993).



ideologies, and a re-affirmation of Weber's focus on unintended consequences" (ibid).

Accordingly, Jacoby recognizes that Mann attempts to "synthesize the historical narrative with the science of causality" and "seeks to merge idiographic depictions of past events with nomothetic interpretation of continuity and change" without deductive method (ibid: 408). In this view, causal relations in Mann's historical narrative method are inferred from the inductive historiographic observation (see ibid: 414). This method introduces an integrated causal narrativity into comparative trajectories to explain long-term persistence and change without conflating mechanism and law (see ibid: 414; Somers, 1996). It also is a methodological "turn to history with an agenda that went beyond testing propositions derived from general theory" (Calhoun, 1998: 849) and avoided a formulaic version of the positivist objectivity and hypothetico-deductive sequence (see ibid: 417).

However, this combination of a holistic and individualistic level draws causes some criticism. Hobden contends that there exists a serious weakness in Mann's analysis that conflates the outsider and insider accounts. These two versions co-exist within Mann's work and result in multiple accounts (see Hobden, 1998: 139). Smith (2002) argues that the major problem lies in Mann's ambiguity about how power resources are to be evaluated. As noted, Mann's method is to quantify power, even ideological power, in the historical narrative. To Mann, "ideology is not something that constitutes the identities or interests of actors; instead, it intensifies the cohesion, the confidence, and the power of an already-established social group...it largely strengthens whatever is there" (Mann, 1986: 24; Smith, 2002: 233-34). Mann's model still remains exogenously constructed since it is a subterranean rationalist and materialist approach. "Understanding is ultimately reducible to explanation" in Mann's work (Smith, 2002:234).

Mann explicitly, though somewhat superficially, highlights the dynamic of the goal-pursuing human agency. However, he implicitly tends towards a path-dependent view of historically-given power structures and networks that he uses as an analytic starting point. At least, in his model the major causal inference of power resources and



process of social transformation and changes are set out from an evolutionary perspective in that the structures and agency are mutual and dually constrained and constructed. However, Mann's combination on historical narrative and materialism does not resolve the ambiguities between insider and outsider accounts (explanation and understanding), and does not go beyond dichotomy between structure and agency.

In summary, Mann rejects a "hypothetic-deductive formulation" and "positivist objectivity" (Jacoby, 2004:417).<sup>39</sup> However, according to Smith that "Mann's sources of social power ultimately have to be causal" (Smith, 2002: 233). At least, in my view, the inferential logic and operationalization of power resources and power networks should be causal. Mann's major methodological weakness is that he has not effectively escaped the pitfall of self-interested calculation of interests and preferences within rationalism and materialism, especially in ideological power resources (see Reus-Smit, 2002: 125, Smith, 2002: 233). That blurs the definition of power resources and interest and brackets power resources to interest.

### *2.5.3 Suggestive methodological modification to Mann's model*

As highlighted in section 2.1, the autonomous power in this thesis will be in line with Mann's method to identify the major "media" or power resource (Mann, 1986: 6). Yet, for remedying the weakness in Mann's original model, the power media and resource need further deliberation and modification, especially by referring to the ideological power resources. As Reus-Smit notes, within Mann's model of human behavior, "the role of ideas in the constitution of human interests is explicitly bracketed, confining ideational factors to the realm of means", however, "in the absence of richer exploration of the role of ideational factors in constituting actor's preferences, Mann is left with nothing more than a ubiquitous will to power" (Reus-Smit, 2002:125). Moreover, Reus-Smit posits that the neo-Weberian's formulation may successfully provide a different conception of state from the neo-realists, however, they are a

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<sup>39</sup> Mann's method "sets out the assumptions upon some which he proceeds through an explicit and comprehensive theoretical criterion" (Jacoby, 2004:417) (referring to the inductive-historical narrative on power networks).



“striking similarity between their conception of interest and power and that deployed by classical realists” (such as Morgenthau) (Reus-Smit, 2002:126). For this particular concern on the constructive role of ideas or ideology on human interest (see *ibid*: 130-2), Reus-Smit suggests observations on three mechanisms-*imagination, communication and constraint-through* which the ideational forces that affect the behaviour of actors, both individually and collectively- can provide compensations to rationalist (realist) weakness(see *ibid*, 2002: 132).

In this thesis, at the collective level, the empirical investigations on the ideational power resources will pay a particularly attention to these aforementioned three mechanisms; at the individual level, will follow the “strategic-relational” approach (see Hay, 2002; Jessop, 2001)<sup>40</sup> to explain some behaviour or actions of the major actors. According to McAnulla, the merit of such dialectical approach makes “much clearer distinction between structure and agency than Giddens” (2002: 280). In this approach, “structure is clearly the starting point” (*ibid*: 280), however, the key concept is that of strategy. It refers to “the ability of agents to alter structural circumstances through an active process of strategic learning” (*ibid*: 281). McAnulla argues that “actors are reflexive and formulate strategy on the basis of partial knowledge of the structures. It is possible for actors to formulate strategies which overcome the problems created for them by strategically selective contexts” (*ibid*: 280-1). By employing this approach, it could provide investigations of changes inside related structures and agency, and more interrogations concerned with transformation of the state.

By doing so, ideational forces will be scrutinized with more constructive meaning on the formations of preference and interest in this thesis. It will also be a more nuanced method to go beyond dichotomy between structure and agency and to overcome the explanatory materialism and the tendency towards rationalism in Mann’s model and

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<sup>40</sup> According to Hay, “the concepts of strategy and strategic selectivity thus provide the building blocks of the strategic-relational approach” (Hay, 2002: 130-1). In that, “actors are conceptualized as conscious, reflective and strategic” (*ibid*: 131). It also provides “a range of crucial insights into the analysis of political power and political change, whilst exhibiting a particular sensitivity to the role of ideas (ideational forces) in the understanding of political dynamics”(ibid, 134).



other neo-Weberian works.

## **Section 2.6: Constructing Expanded Mann's IEMP Model and Research Design**

### *2.6.1. Expanding Mann's IEMP model*

This thesis will construct an analytic framework and model that can be applied to further interrogations of transformation of the EA developmental states. I will investigate changes in the expanded IEMP power networks *at the levels of the international system, economic organizations and mode of capitalism, civil society and the state* as independent variables in the case study of Taiwan and probe 'the core capacity and autonomy of the state' and its 'resistance to their resistances' in the expanded IEMP model. These four clusters of analytic independent variables are geared to construct a polycentric power constellation comprises the interplays and interactions between them over time. Each was the production of the trajectory of ties linking the past, present, and future. They exist inside a macro pattern of trends and processes and are part of it. Their interplays and interactions will consequently reshape a distinctive changing power configuration and relations between these independent variables and further accord to redefine the natures and boundaries of them. The consequences of these changing independent variables interactions and interplays can account for redefining the role and scope the state as the dependent variable of the former. The expanded analytic frameworks are shown in Figures 2.2, and 2.4., and theoretical 'arrow- diagram' in Figure 2.3. They are consistent with the assumptions summarized in Table 1.6, and will contribute towards a more nuanced understanding of continuity and discontinuity of the EA developmental states.

The expanded Mann's IEMP models are based on the "power resources distribution" and "multi-causality of social changes" conceptions emphasized in section 2.1. This shows that the power resources will not only be monopolized by the state but also be held by other social control organizations and agents. This approach of probing the 'origins and resources of autonomous power' will enhance the profile of the 'resistant forces to the state' and thus expand Mann's original IEMP model into a polycentric



framework (as shown in Figure 2.2). These analytic levels are employed by theorists to be the major macro independent variables and they play crucial roles in state transformation, including not only in economic but also in extra-economic or non-economic forms of institutional reproduction. Therefore, these four clusters of independent variables could provide a strong test with *high uniqueness and high certitude* (Evera, 1997:30-4). It also will be a persuasive method to investigate the autonomous power of the state and resistant ones in the IEMP model from a relative power and distributional perspective. Further, for re-defining the boundary of the state and refining the scope of effective state intervention, I will re-justify the role of the state in the EA developmental state in terms of ‘resistance to the resistances’ conception (as shown in Figure 2.4, p.73).



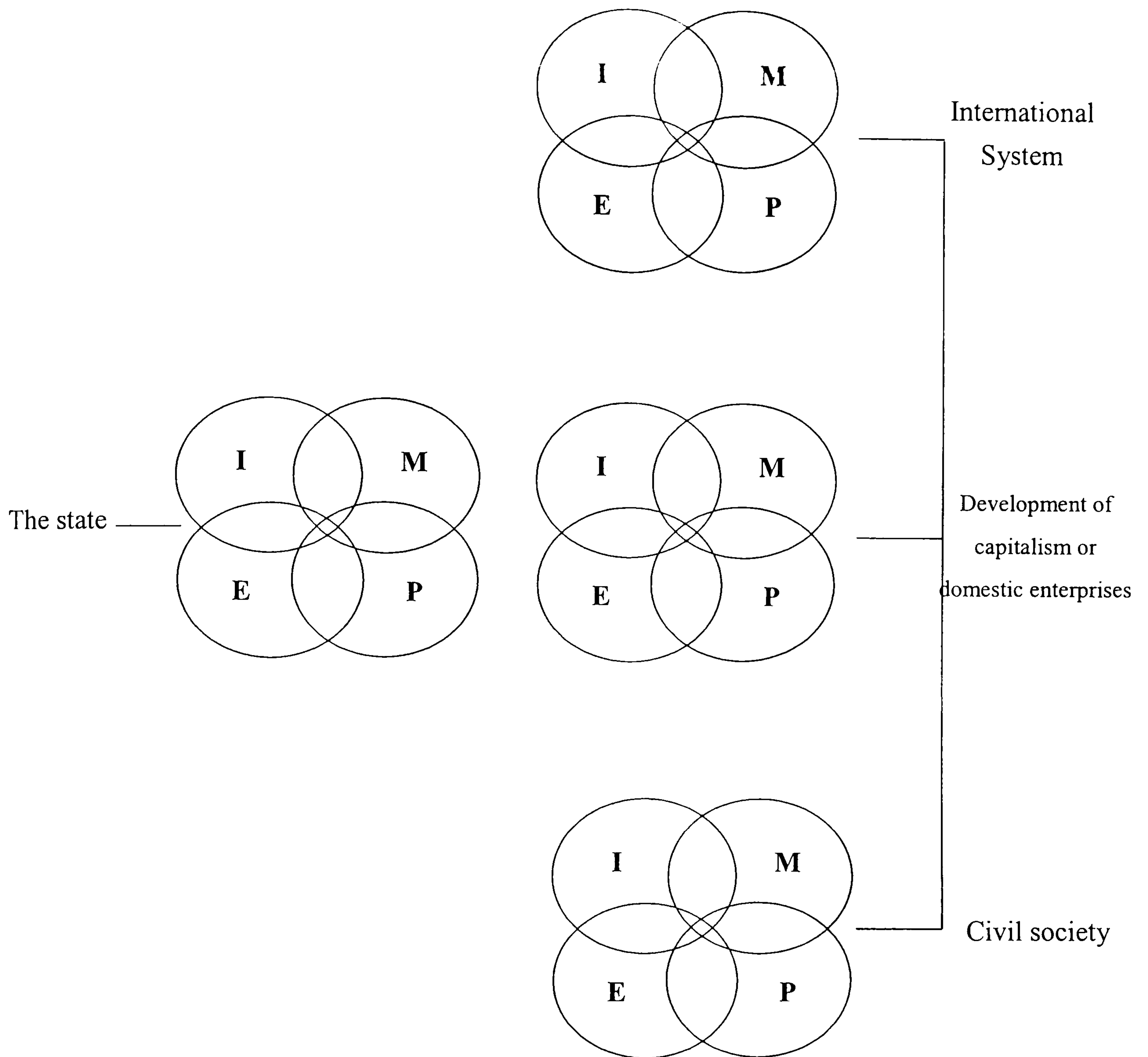


Figure- 2.2 Power of the state versus resistances in IEMP model (Expanded from Mann's original model with the conception of 'resistance').



The expanded Mann's IEMP model could further build up into a testable preliminary theoretical 'arrow- diagram' (as shown in Figure 2.3) to elucidate the continuity and discontinuity issues in the EA developmental states.

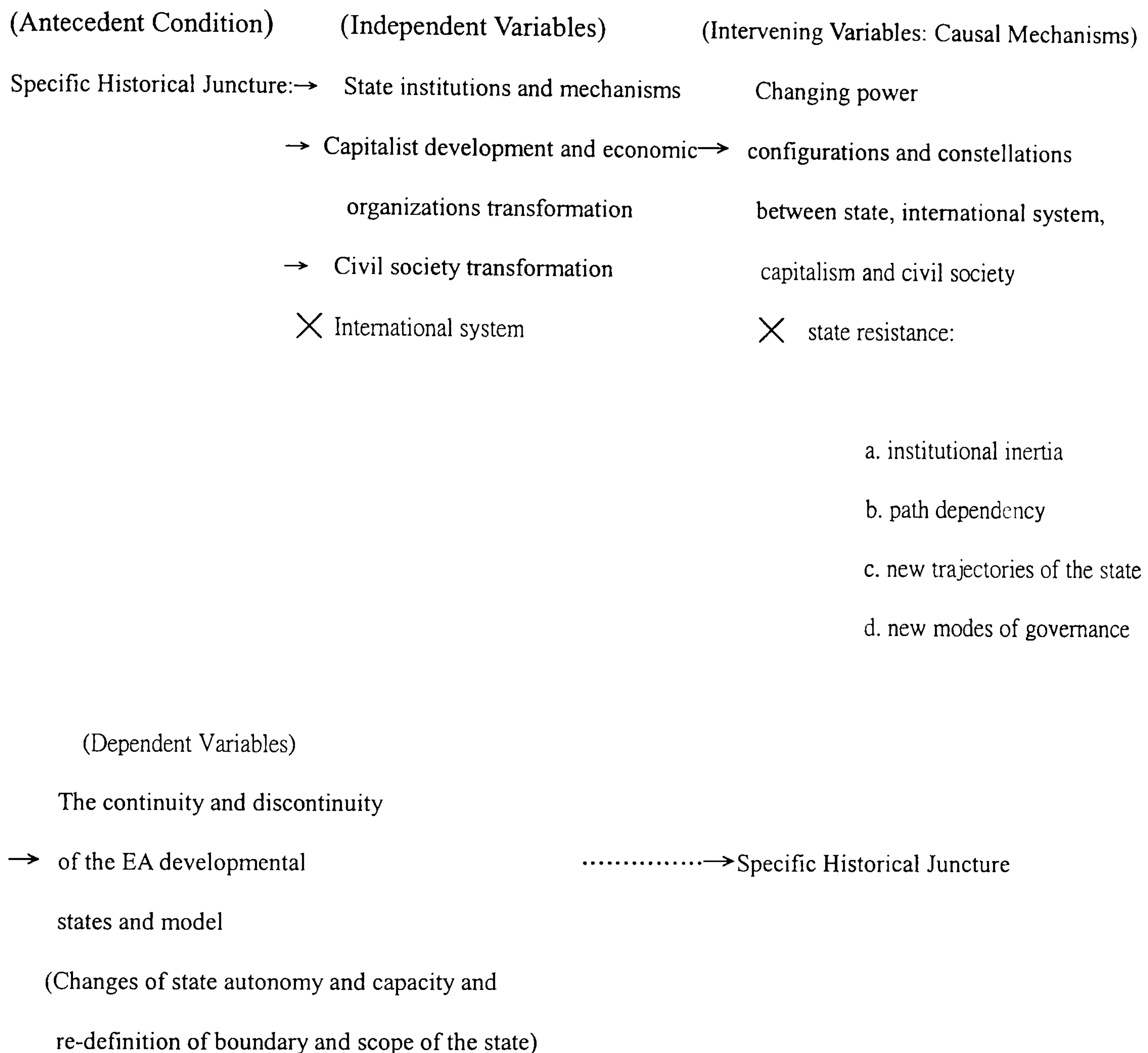


Figure-2.3 Theoretical 'arrow-diagram' of continuity and discontinuity of the EA developmental states.<sup>41</sup>

### 2.6.2 Research questions

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<sup>41</sup> According to Evera, conditional variable is "a variable framing an antecedent condition. The values of condition variables govern the size of the impact that Independent Variables or Intervening Variables have on Dependent Variables and other Intervening Variables (Evera, 1997: 11). Variable of 'International system' in Figure 2-4 is an independent variable however plays a role as a conditional variable in the case study of Taiwan as it is a small player in the international system.

The analytic frameworks I have submitted will be tested by comparison of two historical sequences which is explained in more detail below. These comparisons will be used to infer a theoretical predictive model of how the developmental states might transform in the future. Therefore, this thesis comprises two research questions: one is expressed in the hypothesis; the other is a possible predictive model of the ideal-type state transformation.

### ***Hypotheses***

The EA developmental states are established on the presumptions of specific spatio-temporal fixes and geo-politics that include strong and autonomous state power with control over resources, a capital-starved private sector and weak civil society with no resources to resist state domination and ‘leadership’. Therefore, the relative autonomous power resources possessed by the resistant forces to resist the state’s domination and constraints will impact on the scope of effective state management and intervention as usual, and will cause **discontinuity** in the EA *developmental state model and strategies*. The main theme of this hypothesis is established by macro-deductive reasoning that understands power operations in a distributive perspective.

This is expressed in the following notation.

Equation 1:

$$\begin{aligned}
 \text{The discontinuity of} &= \alpha \text{ historical juncture} + b \text{ the state} \\
 \text{Developmental state} &+ c1 \text{ the international system} \\
 (D) &+ c2 \text{ capitalist periodisation and economic organizations} + \\
 &c3 \text{ civil society} + c4 \text{ structural relations between } b, c1, c2, \\
 &c3 \text{ and } c4
 \end{aligned}$$

### ***Possible Predictive Model***

If the hypothesis is successfully verified, I posit the following model to express the



ideal-typical state transformation and trajectories to justify the role and possible ‘hard core’ of the state in the future. It is a purely theoretical and reflective causal inference model.

Thus, the **continuity** of the EA developmental state or their ideal type will be justified and inferred by the inabilities of resistances, by passively maintaining its core autonomy and capacity in IEMP power networks and its resistance to resistant forces, and by actively transforming and reconstructing its autonomy and capacity with new state trajectories or new modes of governance. The more new autonomy or capacity they generate within the state, the more they are able to continue or refine their developmental state model and strategies.

This is expressed in the following notation and Figure 2.4:

Equation 2.

The continuity of Developmental state (C) =  $\alpha$  1 original developmental model+ ( $d1$  state resistance to resistant forces + $d2$  incompetence of resistant forces) - $D$  the discontinuity of developmental state

or more fully

=  $\alpha$  1 original developmental model+ ( $d1$  state resistance to resistant forces + $d2$  incompetence of resistant forces - $D$  the discontinuity of developmental state (  $\alpha$  historical juncture +  $b1$  the state +  $c1$  the international system + $c2$  capitalist periodisation and economic organizations +  $c3$  civil society + $c4$ structural relations between  $b$ ,  $c1$ ,  $c2$ ,and  $c3$ )



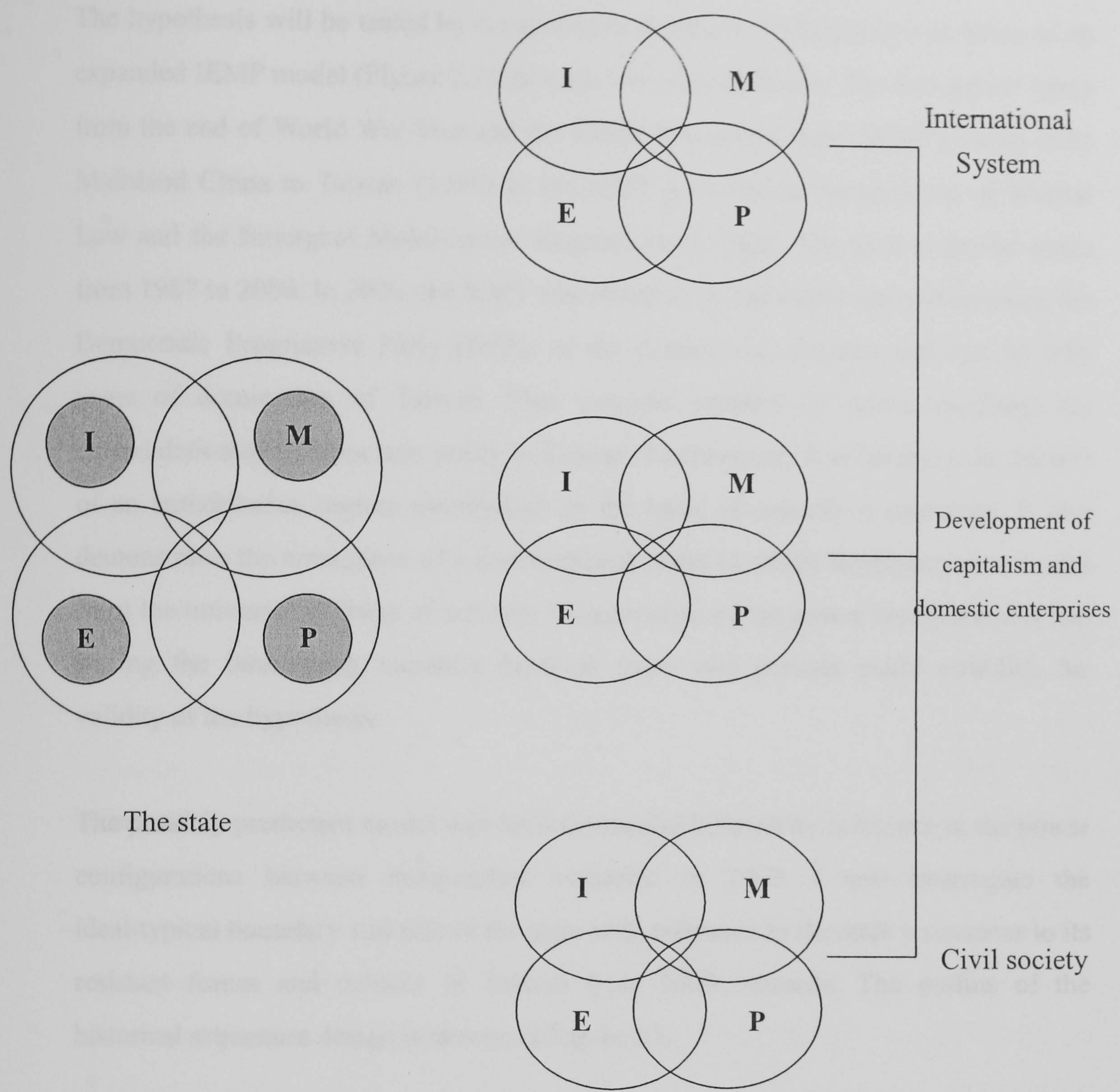


Figure- 2.4 Resistance to the resistance – the core capacities of the state versus the resistances in IEMP model.

Note: Shadowed circles means the 'hard core' of state autonomy and capacity.

### 2.6.3 Research design

#### *Historical sequences comparisons*



The hypothesis will be tested by comparisons of power configurations in terms of an expanded IEMP model (Figure 2.2) between two periodisations. The first period spans from the end of World War Two and the China Nationalist Party (KMT) retreat from Mainland China to Taiwan (1949) to the KMT government deregulation of Martial Law and the Emergent Mobilization Regulations in 1987. The second period spans from 1987 to 2000. In 2000, the KMT was defeated by the major opposition party, the Democratic Progressive Party (DPP), in the presidential election and lost its fifty years of domination of Taiwan. This peaceful transfer of power confirms the consolidation of a democratic polity in Taiwan. Furthermore, it symbolizes the decline of an authoritarian regime established on the basis of control of resources. It also demonstrates the emergence of a constitutional polity in which legitimacy now comes from the universal suffrage of citizens. Comparisons of the power configurations and tracing the intervening variables between these two periods could establish the validity of the hypothesis.

The possibly predictive model will be theoretically inferred by reference to the power configurations between independent variables in 2000. I will interrogate the ideal-typical boundary and role of the state with reference to the state resistances to its resistant forces and debates in Taiwan from 2000 onwards. The outline of the historical sequences design is shown as Figure 2.5.

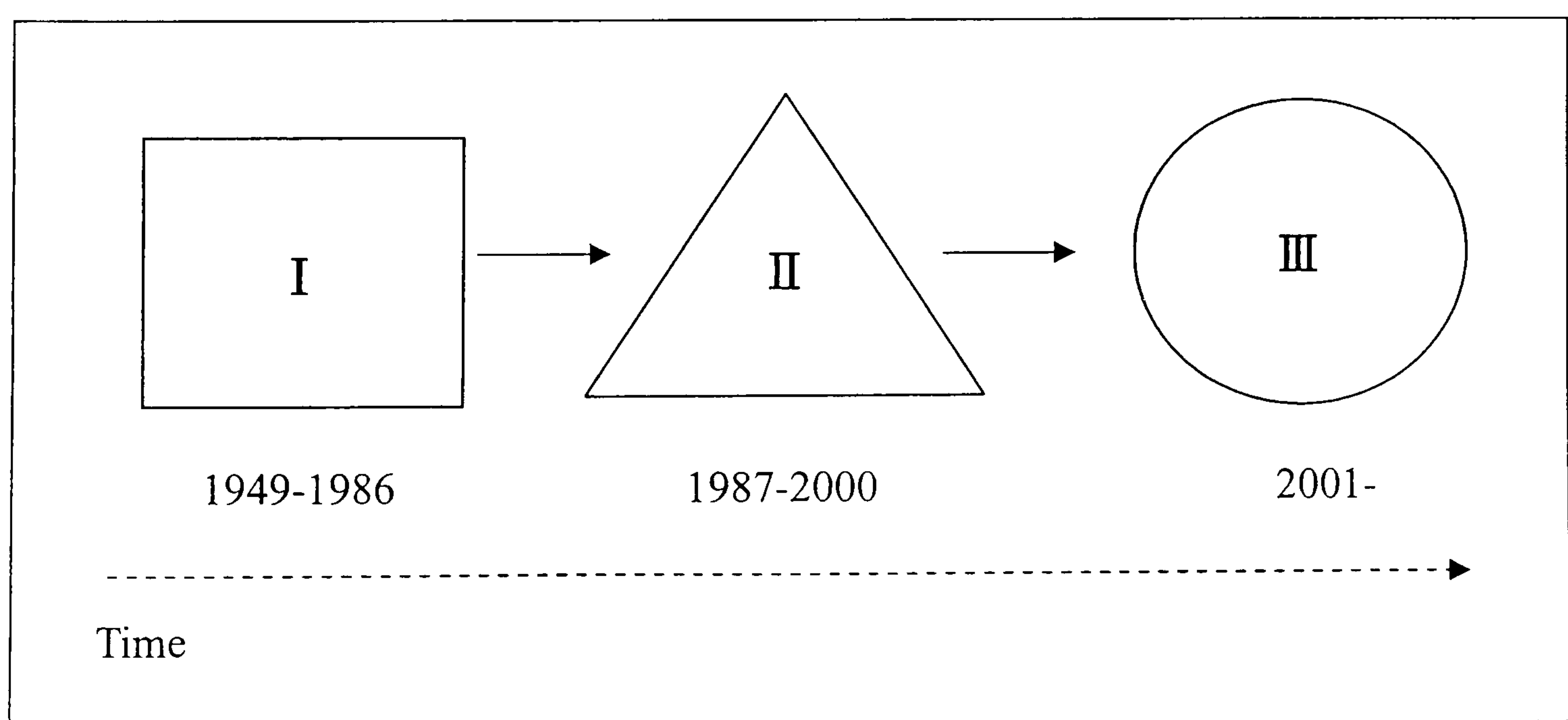


Figure-2.5 The diachronic historical sequences of EA developmental state transformation in Taiwan (Sources: Modified from Hay, 2002:149).

## *Independent Variables*

Mann's original IEMP model embodies his four major organizations by referring to transcending media, norms and value; capitalist development; militarism and the state in the modern world. Acknowledging the diffusion of power, this thesis will set out the IEMP power at different analytic levels. Each level will have its own distinctive dynamisms and logics. These independent variables (as shown in Figure 2.2 and Figure 2.3) in this thesis will be further clarified into a three-level design according to the logic of Mann's original model. The first-level independent variables refer to four analytic levels (international system, the state, capitalist development and economic organization and the civil society) with their distinctive resources of autonomous powers and dynamics. The second-level independent variables are the resources of autonomous IEMP powers in each level. The third-level variables are clusters of criteria referring to IEMP power. The assessment results to test the resources of autonomous power at the third-level criteria will be deployed to reify the power configurations between first-level variables or second-level variables. More details are given in Table 2.1. Therefore, at the first-level, the framework has a four-variable design (international system, the state, capitalism development and economic organization, and civil society); and a 4×4 variable design at the second-level (first-level variables × IEMP). Variables at the third-level are an asymmetrical design developed on the specific spatio-temporal social fixes of Taiwan and correspond to the IEMP power frameworks.

The analytic framework in Figure 2.2 and the ideal-type predictive model Figure 2.4 will comprise three-level independent variables as shown in Table 2.1. The assessments of power configurations and institutional constellations between the four clusters of independent variables will be exemplified by the changing nature of resources of the autonomous power of independent variables and inferred according to the tests results from the second and third-level variables.

In summary, the empirical embodiment of the analytical frameworks shown in Figure 2.2 and Figure 2.4 will follow a causal-inference procedure shown in Figure 2.3 by



the four clusters of independent variables at the third-level in Table 2.1 (see below). These clusters of inferential criteria at the third-level design can be subsumed within the primary four analytic variables—the state; the global system; development of capitalism and economic organizations; and civil society. The theoretical foundations to construct inferential criteria in Table 2.1 are categorized in Appendix 1 (p.332). The application of these criteria to anatomize the EA developmental state in Taiwan in the empirical chapters will be done according to the expanded Mann’s IEMP model. I will also apply some of the concerns of historical institutionalism to the analysis and apply the additional insights outlined in section 2.5.3.

As Pierson and Skocpol point out, the operative variables in historical institutionalism may not be independent of each other at all “when it comes to analyzing the origins and impact of institutions, causally important variables are often bundled together in the real world..., and will be influenced by overarching cultural, institutional, or epochal contexts (Pierson & Skocpol, 2002: 711). The overarching context in this thesis will refer to the power configurations of the independent variables. As such, they could be the observations on nominal, ordinal indicators or mechanisms and institutional arrangements. Systematic observations of them will provide the empirical evidence which shows that these referents are indeed changing in the specific reconstruction. Furthermore, their intertwining interplays will show some co-variant relations that can be used to infer their direction in the future.

While there are apparently many third-level observations suggested in Table 2.1, many are in fact interrelated and a simultaneous observation will suffice. For example, the military power at the international, domestic and civil society levels are intertwined and interrelated with each other. This will considerably simplify the data analysis.

## Independent Variables

First level observations	The state	International System	Economic organization and capitalism development	Civil society
Secondary-level observations	IEMP power	IEMP power	IEMP power	IEMP power
Third-level observation	<p><b>I</b></p> <p>1. Media access and resources especially media and communication control policy..</p> <p>Criteria: the state controlled media, press, TV, radio and other communication accesses.</p> <p><b>E.</b></p> <p>1. Capitalism and production form.</p> <p>2. State intervention policy.</p> <p>3. Macro and micro policy instruments.</p> <p>4. Government- business relations and linkages.</p> <p>5. Intra-government relations.</p>	<p><b>IE</b></p> <p>1. Mainstream ideologies of major international regime and hegemonic state.</p> <p>2. Regional institutions.</p> <p>3. Transnational economic alliances.</p> <p>4. Forms of global capitalism and production system.</p> <p>5. Digital technology and informationism.</p>	<p><b>IE</b></p> <p>1. 'Periodisation' of domestic capitalism and economic organizations.</p> <p>2. Resources of private sectors.</p> <p>3. The key characteristics of business systems.</p> <p><i>a.</i> ownership relation.</p> <p><i>b.</i> non-ownership relation coordination.</p> <p><i>c.</i> employment relations.</p> <p><i>d.</i> work management.</p> <p>4. The boundaries of business systems and associated institutions (relations between business and national, regional and international organizations.</p>	<p><b>I</b></p> <p>1. Media access open-ness and freedom and right of publishing, public speech.</p> <p>2. Freedom of teaching diversified political thoughts in the universities.</p> <p><b>E.</b></p> <p>1. GNP and income level.</p> <p>2. Educational level.</p> <p><b>M.</b></p> <p>The civil right to resist the inward military power in the name of national security.</p> <p><b>P</b></p> <p>1. Constitutional entitlement to representation</p> <p>2. Civil social right(welfare and redistribution policy)</p> <p>3. The legal right to organize association .</p>

Table- 2.1 Summary of independent variables in the analytic framework (1)

Continued



## Independent Variables

First-level observations	The state	International System	Economic organization and capitalism development	Civil society
Secondary-level observations	IEMP power	IEMP power	IEMP power	IEMP power
Third-level observation	<p><b>M</b></p> <ol style="list-style-type: none"> <li>1. Military resources.</li> <li>2. Geopolitical position.</li> <li>3. National security policy.</li> <li>4. Inward military and security policy.</li> <li>5. The military role defined by law, .</li> </ol> <p><b>P</b></p> <ol style="list-style-type: none"> <li>1. Political regime.</li> <li>2. Forms of representation.</li> <li>3. Political party system.</li> <li>4. Internal organization (legislature and executive).</li> <li>5. Central and local government relations.</li> <li>6. State political resources</li> <li>7. Specific project.</li> <li>8. Mechanisms design.</li> </ol>	<ol style="list-style-type: none"> <li>6. Advanced technology.</li> <li>7. Flows of information and technology.</li> </ol> <p><b>MP</b></p> <ol style="list-style-type: none"> <li>1. Geopolitics.</li> <li>2. Military projects, strategies and interests of hegemonic states.</li> <li>3. Military alliances.</li> <li>4. Diplomatic policy of major states.</li> <li>5. The intervention of a hegemonic state in domestic realms.</li> </ol>	<p><b>MP</b></p> <ol style="list-style-type: none"> <li>5. The degree of internationalization and consequences of internationalization of business systems and firms.</li> </ol> <p><b>MP</b></p> <ol style="list-style-type: none"> <li>1. Power and right to resist state intervention market in the name of national security.</li> <li>2. The political resources and assesses of business system to express interests.</li> <li>3. Power to influences decision-making process of state policy.</li> <li>4. Power and access to resist constrains and limitations of state policy.</li> <li>5. Government-business relations.</li> </ol>	

Table- 2.1 Summary of independent variables in the analytic framework (2)

### *Intervening variables (Causal Mechanisms)*

The intermediate variable will be the power configurations between the IVs inferred from observations of changes of the IVs' power resources, especially in terms of resistances to the state, and the state's resistance to its resistances. Mann's original IEMP model sets out from the power distribution perspective. The power configurations (causal mechanisms) in this thesis will be inferred by reference to the observations of the second level and third-level variables. According to Pierson and Skocpol, the causal configurations conceptualized at the organizational and institutional level and interaction effects of variables (identified by tracing the process) are the most important references in historical institutionalism (2002: 711). Independent variables at the third-level specify the empirical referents that will be used to make the judgment that profoundly configurative changes of powers are indeed taking place. Therefore, comparisons and contrasts in the power configurations of two historical sequences can provide sound evidence accounting for the differentiated resources state autonomous power and the scope and efficiency of state capacity.

### *Dependent variable*

The dependent variable in this thesis is the continuity of the Taiwanese developmental state. By the end of the thesis the dependent variable will be located in an ideal-typical model. The changing character of the dependent variable will be inferred from the autonomous power resources of the state and state capacity to implement state policy as will become clear in the observations of the independent variables and intervening variables. Further, for re-defining the boundary of the state and refining the scope of effective state intervention, I will re-justify the 'hard core' of the state in the EA developmental states in terms of 'resistance to the resistances' conception (as shown in Figure 2.4) by an ideal-type predictive model. According to Mann, on the one hand, state autonomy refers to the "despotic power" of the state; on the other hand, state capacity refers to state's "infrastructural power" to penetrate its territories and logistically implement decisions (Mann, 1986, 1988, 1993). However, state autonomy



and state capacity will be defined in a way that can be more plausibly operationalized in this thesis. State autonomy will be inferred from its resources of autonomous power by reference to the power configuration structured by the IVs and causal mechanisms within intervening variables. State capacity will be defined as measures of *institutional capacity (management, regulation and coordination capacity)*; *technical capacity (steering, innovation and R&D capacity)*; *administrative capacity (extractive, mobilized, and distribution capacity)*, and *political capacity (legitimization, coercive, conflict resolution and demand responsive capacities)* (see Grindle 1996; Weiss, 1998:24-39; Wang & Hu, 1994: 5-6). These IVs will be flexibly inferred by reference to state's resources of autonomous power.

#### *2.6.4 Research methods*

##### ***Case selection***

In fifty years Taiwan experienced tremendous ideological, economical military and political changes. It is a remarkable and successful development state that has undergone, and continues to undergo, a number of transformations. Taiwan provides a good empirical laboratory to test the transformation of EA developmental states in an era of globalization, knowledge-driven capitalism, democracy and pluralism. It is a complex case which will provide a wealth of empirical observations that will enable me to test the expanded Mann's IEMP model. This revision of Mann's model, with its polycentric design, is more flexible and is better suited to studying the problem of transformation than the orthodox deductive EA developmental states model. Thus, the results of this thesis could also be applied in further related researches and interests in these issues.

##### ***Data collection***

The thesis will rely heavily on four major resources. First, it employs the public and governmental documents and data published in Taiwan. Second, it utilizes the academic books, journals and periodicals published in English that include evidence



and theories of the EA developmental states model, their revisions and critical reflections. Third, the Chinese books, newspapers, journals, periodicals, theses, webs and biographies of economic leaders and politicians in the process of Taiwan's modernization, industrialization and democratization are also employed. In particular, I will also use the research outcomes and data in the existing empirical literature that set out different trends. Fourthly, I conduct interviews with relevant high-level governmental officials, state consultants, scholars and legislators. Further, I also rely on interviews with managers of advanced technology enterprises and electronic productions companies. These interviews provide first-hand information that goes beyond that which has been published.

### *Data analysis*

In Mann's original model, he employs six forms or type of power (collective vs. distributive; extensive vs. intensive; authoritative vs. diffused) to operationalize the power networks. Mann deploys his "methodology to 'quantify' power, to trace out its exact infrastructures, and it is immediately obvious that quantities of power have developed enormously throughout history" (1986:30). As highlighted, Mann's approach tends towards rational materialism and structuralism. Mann's six forms of power do not provide an empirically picture of the process of change that captures the dynamisms of the variables and their interactions. For the purpose of this research and to compensate for this drawback of excessive materialism and rationalism, it is possible to develop a different conceptualization of the state analytic frameworks, synthesizing Mann's 'IEMP' model with methods applied by historical institutionalists, to redefine and re-map the development in the EA developmental states. As Hay points out, the merits of methods applied by the historical institutionalists, can go beyond the structure and agency dichotomy and go beyond the inductive/deductive dilemma (see Hay, 1998, 1999a, 2002). These diachronic methods allow us either "inductively and empirically to advance theoretical statements about the temporal aspects of the process of change under consideration or to test deductively derived theoretical hypotheses about that process of change" (Hay, 2002: 149).



According to Hall and Taylor (1996), there are four distinctive features of methods in historical institutionalism. First, they tend to conceptualize the relationship between institutions and individual behaviour in relatively broad terms to use both a calculus and a cultural approach for going beyond structure and agency dichotomy. This attempt can remedy the failure of comparative historical research to “explicitly or fully develop choice-centric models using assumptions about actor rationality” (Mahoney & Rueschemeyer, 2003: 20). Second, “they emphasize the asymmetries of power associated with the operation and development of institutions” (Hall and Taylor, 1996:938). Third, “they tend to have a view of institutional development that emphasizes path dependence and unintended consequences (ibid). Thus, historical institutionalism concurs with Mann’s model, with its characteristics of both path dependence and contingency (or open-endedness). Fourth, they are especially concerned to integrate institutional analyses with the contribution that other kinds of factors, such as ideas, can make to political outcomes” (ibid).

These methods employed in the historical comparisons and institutionalism can take appropriate account of varied historical contexts and provide a combination of deductive and inductive reasoning more comparable to detective work than true experiments by ways of a dialogue between theory and evidence, and by process tracing and historical narrative (see Dimaggio, 1998; Goldstone, 1997; Hay, 2002; Hay & Wincott, 1998; Hall & Taylor, 1996, 1998; Jessop, 2002; Katznelson, 1997; Mahoney, 1999, 2003; Mahoney & Rueschemeyer, 2003; Rueschemeyer & Stephens, 1997; Thelen, 1999; Thelen & Steinmo, 1992; Zuckerman, 1997). They “refuse to foreclose or prejudge discussion of the temporality of change by fitting to it a more general covering law or model”. On the contrary, they seek to “preserve and capture the complexity and specificity of the process of change under consideration, examining the interplay of actors, ideas and institutions and establishing the conditions of existence of the mechanisms of evolution and transformation described” (Hay, 2002: 47). Thus, justifications for these two models in this thesis are by no means founded merely on the deductive method as orthodox or revised models are. On the contrary, I will use a reflective approach (both inductive and descriptive) to test the possibility of yielding a more comprehensive and generalizable ‘model’ to



interrogate transformations in EA developmental states. According to Hay, by so doing, these efforts will be “invariably informed by abstract theoretical reflections and are thus far from purely inductive” (2002: 46). Therefore, the methods employed in this thesis also can satisfy the particular methodological concerns on the consequences and effects of ideational or ideological forces highlighted in 2.5.3.

The major methods to test autonomous power resources at each level will rely on the nominal and ordinal comparison strategies and within-case analysis by employing ‘pattern matching’, and ‘causal narrative’ techniques (see Mahoney, 2003: 360-367), and by the ‘controlled procedures’, ‘congruence procedure’ and ‘process tracing’ methods (see Evera, 1997:56-67) on the independent and intervening variables described above. These will be applied to two historical sequences. From a macro perspective, the evidence will be established by inductive observations and complementarity of deductive evidence. From the micro perspective, the linear causal inference evidences will be tested by the deductive or inductive ordinal or nominal comparisons between variables (see Mahoney, 2003: 337-372). Table 2.2 shows the methods to operationalize variables and differentiated power configurations and mechanisms, and applied to make causal inferences of changes between two periods of time sequences in this thesis.

Table- 2.2 Methods applied at different levels in this thesis

Level of Variables	Methods to operationalize variables
The first-level	a. Deductive and inductive reasoning. b. Configurations and event structures analysis.
The second-level	a. Processing tracing. b. Controlled and congruence procedures. c. Causal narratives (inductive or deductive). d. Configurations and event structures analysis . e. Nominal-ordinal-narrative combination.
The third level	a. Strategic-relational approach. b. Causal narrative. c. Nominal-ordinal-narrative combination.

However, the causal inference will rely more on the inductive observations and evidences than deductive causal inferences. It will endeavor to go beyond inductive or



descriptive narratives and observations to yield a more comprehensive and generalizable 'model' consistent with rationality and reflexivity to interrogate transformations in the EA developmental states. In empirical application, the deductive evidence generally needs to complement inductive inference.

In sum, the employment of Mann's IEMP model and historical institutionalism approach in this thesis endeavors to shed light on the inherent complexity and contingency of processes of changes and transformations of the EA developmental states in which human subjects are involved. The model and methods in this thesis will process with merits of what Laitin refers to as "a tripartite methodology, including statistics, formalization and narrative" (Laitin, 2002:630-59). At an abstract level, the models posited in this thesis could provide a more profound interrogation and plausibility on application to the transformation of the EA developmental states. Therefore, this thesis will also avoid falling into the trap predicated in deductive modeling. At the empirical level, it will produce more abundant investigations by referring to resistances in these EA developmental states with these models, and also practically posit the state resistance to these resistances. It will provide more helpful information to re-define the role of state and explore their continuity and discontinuity.

It is important to emphasize, on probing the changing nature of the state in the EA developmental states, that this thesis disagrees with presuming the state-centered model is *the presumed end of history* of these EA developmental states. The assumptions on shifting changes between the state and resistant forces do not imply my approach will copy zero-sum relations between the independent variables in the status of counterparts; nor deny the possibility of state centrality in some realms. On the contrary, this thesis assumes the approach described above concerning power of the state and the resistant forces and aims to explore the changing nature of the EA developmental states. This thesis therefore endeavors to reconstruct and redefine the role and boundaries of the state according to its possible capacities, and investigate the core of its autonomy by examining how it has been influenced or superseded by the changing resistant powers. Such an approach will contribute to a reconstruction



and re-conceptualization of the state and the resistant powers from a relational perspective not just from top-down or bottom-up perspectives. By so doing, it could be a plausible way to probe what roles of the state have been strengthened or weakened according to its autonomous power resources; or on the contrary, to redefine the vulnerability and weakness of the economic organizations, civil society or international institutions as social control organizations.

In summary, the basic analytic structure of this thesis is formed by bridging Mann's 'IEMP model' and compensated research strategies used by historical institutionalist, constructivists and neo-Marxist, as presented in Table 2.1. Following these lines of the ideal typical frameworks, at the empirical level, as indicated in Figure 2.2, it shows what has been the role of the state by referring to resistances in present and in particular historical juncture and contexts. It will endeavor to probe the discontinuity in the developmental states. It aims to explore the contemporary visage of the state IEMP power networks in contrast to the orthodox EA 'developmental state model' and its revisions.

At the theoretical level, it is plausible to posit perspectives about what could be the normative or theoretical state roles and the core autonomy and capacities in these states in the future. In this argument, the second purpose will be concerned more with the continuity or their resistance of the EA developmental states to their resistant forces. This interest, as shown in Figure 2.4, will be presented in a more discursive and dialectical sense by conceptualizing the '*resistance to resistances*' model. By doing so, the ultimate concern with continuity and discontinuity of the EA developmental states will be investigated in a more nuanced and deliberate approach suggested by this thesis.



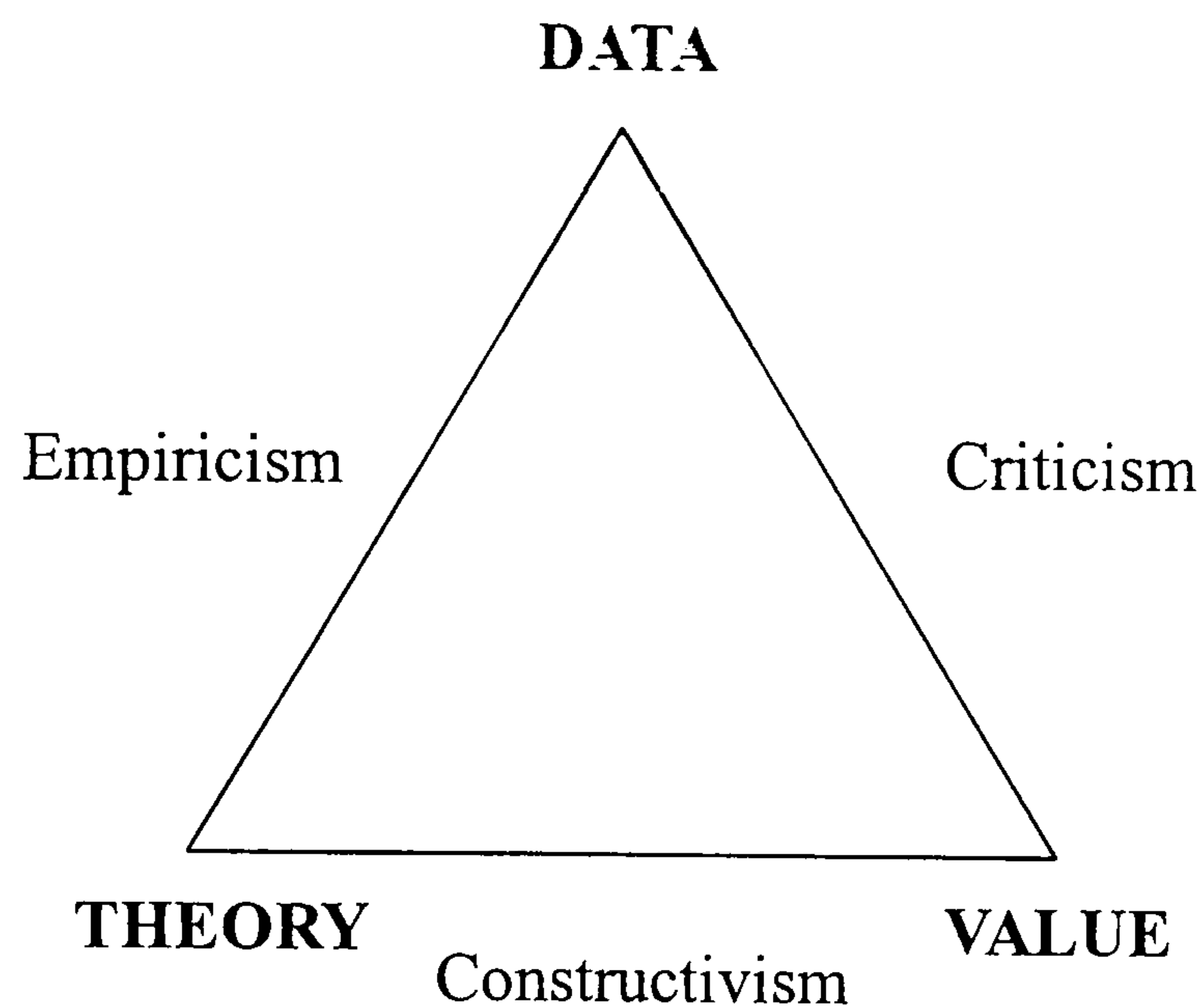


Figure 2.6 Galtung's integrated conception of social science.  
 Source: Cited from Alker H.R.,1996: 797.

At the methodological level, this thesis proposes to justify methodological pluralism and reflectivism, by going beyond deductive and inductive approaches and going beyond a structure-agency dichotomy, to reify models and analytic frameworks posited by in the opening chapters of this thesis.

By doing so, it might offer a justification for the meta-theoretically constructed models and multi-causal analytic frameworks presented. It could also broaden and deepen their implications in relation to development researches and international relations of sociology as suggested in Galtung's trilateral conception of social science. Figure 2.6 Shows the ultimate purpose of this thesis.

## CHAPTER THREE

### **The Antecedent Condition-a Specific Historical Juncture for Taiwan**

This chapter aims to provide a brief retrospective on Taiwan's history before 1949 as an antecedent condition for further investigations on continuity and discontinuity of the developmental state in Taiwan. In the theoretical arrow-diagram in 2.4, this specific historical juncture is "a picture of a particular configuration of forces" (Cox, 1987:217)<sup>42</sup> that impacts on further development. The remainder of this chapter will engage to posit a preliminary power constellation among the four IVs in the 1950s by means of an expanded IEMP framework as a starting juncture for further investigation.

By 1950, there were two historical legacies having critical impacts on the political, economical and social development of Taiwan. First, marginalized geopolitics at the core of the Chinese authorities compounded a pervasive feeling of exile with the immigrants from mainland China. Second, the memory of colonization under the Japanese government confirmed for the immigrants an inherited conception that Taiwan was betrayed and sold out by the Chinese authorities. These historical contingences and the collective memory of suppression make the ethnic and identity issues still very complicated on this island.

Back in 1895, the Qing government of China ceded its small southeast island frontier, Taiwan, to Japan after it was defeated in the Sino-Japanese War of 1894 to 1895 (Shepherd, 1993; Zhang, 2003).<sup>43</sup> In the following fifty years, Japan ruled Taiwan directly by establishing a colonial government which adopted highly

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<sup>42</sup> According to Cox this structure of forces should comprise the reciprocal relationships among material capacity, ideas and institutions and is not determined the direction of any of them above (Cox, 1986: 218).

<sup>43</sup> Before this, Taiwan was occupied by different types of aboriginal people, landless adventurers, semi-retired pirates, male immigrants or criminals expelled from several south-eastern provinces of China and semi-retired pirates. It was also temporarily controlled by the Dutch East India Company from 1642-1662 as a foothold in the China market (see Shepherd, 1993; Zhang, 2003).



centralized control and dominance, making Taiwan an “agricultural colony to supply food and a market for Japanese economic products” (Zhang, 2003: 33). Taiwan concurrently provided logistic supplements (mainly rice, sugar tea and bananas) for its Great Eastern Asia War. Japan’s strategies for Taiwan based on the twin tactics of assimilation and selective warfare (Roy, 2003).<sup>44</sup> Therefore, the political, economic and social status of the Taiwanese remained inferior and marginalized just like other Asian colonies occupied by western states. As Maddison (1989) notes, even by the early 1960s, economic conditions and levels of income in Taiwan were not very different from those in African countries.

In 1943 and 1945, China’s wartime leader, Chiang Kai-shek, managed to persuade American president Franklin Roosevelt and British prime minister Winston Churchill at the Cairo and Potsdam Conferences, that Taiwan, like other Chinese territories ‘stolen’ by the Japanese in the previous 50 years, should be ‘restored’ and returned to China after the defeat of Japan (see Hughes, 1997; Roy, 2003; Tsang, 2004; Zhang, 2003).<sup>45</sup> However, this corrupt party, the Nationalist-Kuomintang (KMT), headed by Chiang himself plundered both mainland China and Taiwan which caused the civil war with the Chinese communists. The mainlander officials and their relatives who followed the ROC soldiers to Taiwan after this civil war were interested in extracting the island’s wealth and resources in order to return to the comparatively poor and war-ravaged mainland (Roy, 2003).

On 28th, February, 1947, the anti-KMT Taiwanese lashed out against the KMT and

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<sup>44</sup> As Japanese capitalists hesitated to invest in Taiwan because of limited resources or unfavorable conditions for investment, the infrastructures established by the Japanese government purported to extract agricultural resources as logistic war subsidy (Zhang, 2003). The colonial administration established cartelized sugar-refining and agricultural food-processing industries and transport systems around the rural areas (see Cheng, 2001; Roy, 2003 and Zhang, 2003). As a result, the domestic capital and civil society remained in poverty.

<sup>45</sup> “The initial response of many Taiwanese to the restoration of Chinese sovereignty over Taiwan was high-spirited. For most Taiwanese, China was their ancestral home and source of culture....They believed that various kinds of social, economic, and political discrimination against the Taiwanese (under the Japanese colonial rule) would be eliminated” (Zhang, 2003: 49). At the time, “only a small minority of Taiwanese favored independence or a United Nations trusteeship immediately after the war” (Roy, 2003: 58), and most Taiwanese had great enthusiasm for reunification with the motherland-China.



other immigrants from mainland and demanded fair treatment. The event quickly caused widespread rebellions all over the island. The Governor General of Taiwan, Chen Yi, regarded the event as a pro-communist rebellion, ordered 20,000 troops to suppress it, and enforced martial law on the island. "It was generally believed that over 20,000 people were killed, arrested or disappeared" (Zhang, 2003: 50) in the massacre, including mainly included landowners, doctors, lawyers, editors, teachers, professors, students and entrepreneurs. Many Taiwanese believe it was a deliberately planned conspiracy.<sup>46</sup> The suppression of the rebellion and the ensuing terror cowed the educated elite and populace into submission and silence. This event played a crucial role in the consolidation of the KMT's power in Taiwan until late 1980s (Rigger, 1999: 58; Zhang, 2003: 51).<sup>47</sup>

By the end of the 1940s, the KMT regime, led by Chiang, was finally defeated by the communists in the civil war, and Chiang's mainland supporters and troops retreated to Taiwan in 1949. "The initial reaction of the US government to the defeat of the KMT in the mainland was to distance itself completely from the ROC (Republic of China) and to remain indifferent to an expected imminent communist attack on Taiwan" (Zhang, 2003: 53).<sup>48</sup> However, the outbreak of the Korean War and consequently the formal partition of Vietnam in 1954 gave a dramatic boost to Taiwan and the KMT: the US Seventh Fleet was sent to patrol the Taiwan Strait to prevent a communist annihilation of the KMT forces and a takeover of Taiwan. The US and Taiwan signed the US-ROC Mutual Defense Treaty and the security of Taiwan Strait was institutionalized into US defense networks in East Asia (see Roy, 2003; Chu &

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<sup>46</sup> Through the decimation of elites incident, "Taiwan's intellectual and managerial elites who were educated and trained during the Japanese colonial period and might threaten the KMT's control of the island" (Zhang, 2003: 51) were wiped out.

<sup>47</sup> Under the inward military rule of the KMT government, few Taiwanese participated in political activities and withdrew from political arena until the 1980s, even though the population of Taiwanese far outnumbered the mainlanders.

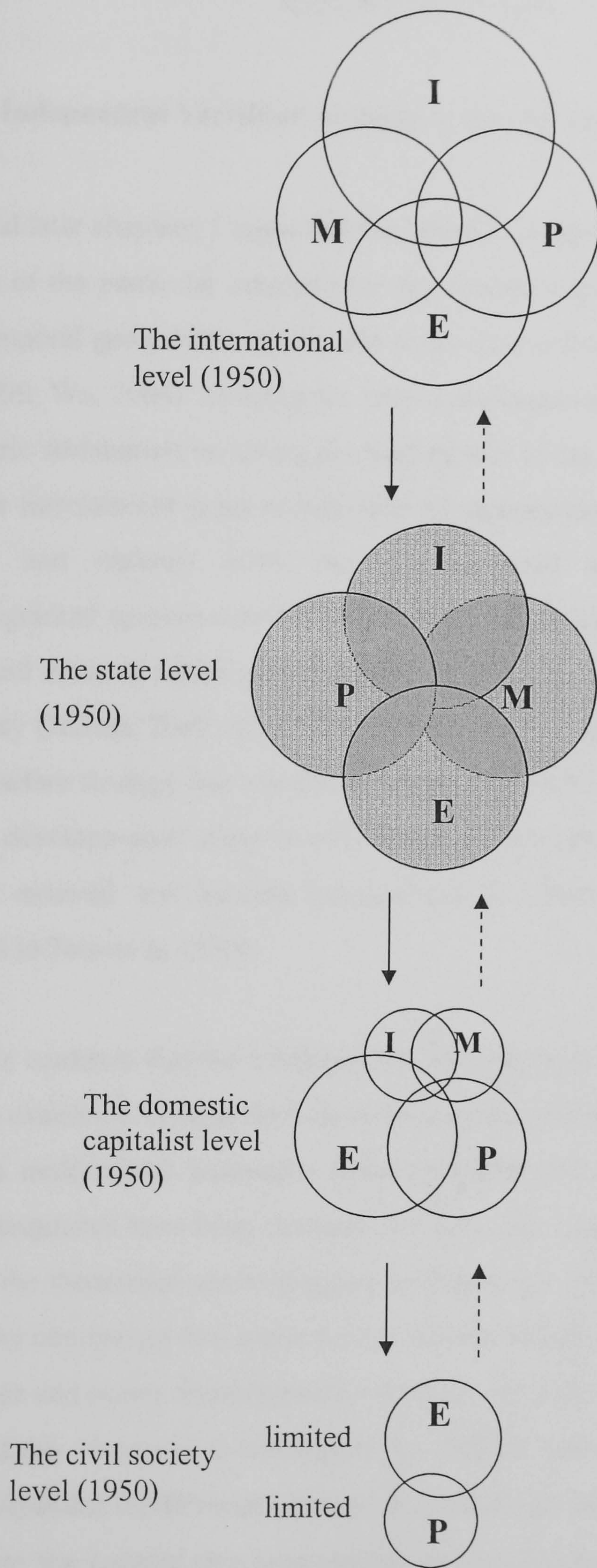
<sup>48</sup> The US National Security Council decided that "no further action would be taken to assist the Chinese Nationalists to hold Formosa" (Bradley and Blair, 1983:533 cited in Zhang, 2003: 53) and considered Taiwan to hold no special military significance to US security. President Truman and his administration anticipated Chiang's days in Taiwan were numbered and claimed the US would not provide military aid, supplies and advice to Chiang (see Chu & Lin, 2001; Lasater, 1993; Ravich, 2000; Roy, 2003; Zhang, 2003).



Lin2001;Zhang, 2003).

The authoritarian strong state was able to continue to dominate the domestic capital and civil society had been weak during Japanese colonization. This specific historical scenario and legacy provided the starting point for Taiwan to develop into a developmental state with 'a special relation' to China. The deep-rooted ethnic conflicts between mainlanders and Taiwanese were buried but still impacted on the further development of Taiwan. Figure 3.1 is the preliminary power configuration between IVs in the 1950s in Mann's IEMP model. It can clearly see the hierarchic power configuration from the international system, the state, the domestic capitalism to civil society. Variables of domestic capitalist and civil society were suppressed by the state and international environments. It also shows a typical power configuration and preconditions for developing a developmental state. This power configuration remained steady during at least the first two and a half decades after the KMT's takeover. It was the historical foundation of the Taiwanese developmental state.





**Figure 3.1 The power constellation of IVs in 1950**

Note: 1. Shaded circles means the 'hard core' of state autonomy and capacity.  
 2. Dashed arrows mean 'indirect' influence; solid arrows mean 'direct' influence.



## CHAPTER FOUR

### **The Independent Variables: to Forge a Developmental State (1950-1986)**

In this, and later chapters, I argue that the generic EA developmental states model was a product of the particular international governance regime of Atlantic Fordism and spatial-temporal geo-politics of post war contingences (see Evans, 1995; Jessop, 1999; Wang, 1999; Wu, 2004). In doing so, I reject explanations provided by the prevailing state-centric revisionists on taking the leading role of the state at the top of hierarchy. Under the international super-architecture of naturalizing links between the national economy and national state, the developmental state strategy provided a taken-for-granted spatio-territorial matrix based on the congruence between nation's internal and external security to close and control over the weak domestic economy and society (Jessop, 2000; Onis, 1991). Namely, the expansion and concealment of inward warfare strategy into economy and society in a Listian workfare state mode in these EA developmental states is/was legitimated by specific historical contingences. Both the external and internal prerequisites to construct a developmental state co-existed in Taiwan in 1950s.

This thesis contends that the continuity and discontinuity of EA developmental states should be examined through the lens of poly-centric and meta-theoretical frameworks and made multi-causal inferences from a broader perspective as the external and internal prerequisites have been changed. As such, this chapter and following two, aim to verify the theoretical arrow-diagram in Figure 2.3 (p.75) and test the hypothesis equation by contrasting two sequences in Taiwan's history, and in doing so exploring the changes and power reconfiguration between the independent variables (IVs). The purpose of this chapter is to investigate the original power constellation (1950-1986) using an expanded IEMP model derived from Mann's work (Figure 2.2, p.74) in order to elucidate the constructive prerequisites of the developmental state in Taiwan as independent variables.

The chapter is organized into five sections. The first four sections in turn elucidate the



preconditions of developmental state in Taiwan by exploring how the IVs follow the expanded Mann's model from a perspective of post-war international hierarchic realities. A final section of the chapter will consider the relations which exist between the IVs and accord the preceding analyses as references to construct a power configuration during this historical sequence.

#### **Section 4.1 Changes in the international system**

Taiwan has long been a 'unique actor' and a particularly pronounced security threat in terms of international politics (Mann, 2004). The historical contingency of the Korean War gave the KMT a second chance to consolidate a one-party authoritarian regime in Taiwan as one of America's anti-communist bastions and allies along the Asia Pacific Rim during the post-war era (Wang, 1999; Wu, 2004). During the Cold War, the combination of the Bretton Woods monetary agreement and the GATT trade regime ensured Atlantic Fordism, encouraged mass consumption and allowed state control over the national economy from using the pretext of possible warfare and the expansion of communism (Jessop, 2000). Taiwan benefited from these international circumstances. After the Korean War, even with the KMT's loss of China and retreat to Taiwan, it still had the support of most Western states in the anti-communist alliance. It continues to survive prosperously even after its subsequent loss of formal diplomatic relations with most of the states after it withdrew from the United Nations in 1971 and even with the normalization of relations between the PRC and the US in 1979.

Earlier in 1959, when Chiang Kai-shek had perceived that the US no longer supported the KMT's desire to 'liberate and recover' China, he announced in his New Year speech that his mainland recovery policy would follow a 70 percent political and 30 percent military strategy (Copper, 2003).<sup>49</sup> As such, Chiang Kai-shek and his son reformulated the outward political-military strategy by combining a submerged inward warfare with a nationalist economic strategy that mixed economic, political

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<sup>49</sup> "Many thought this remark singled a change of policy and believed the plan to return to China would eventually be scrapped" (Copper, 2003: 188).



and social policies to consolidate the KMT's rule in Taiwan since up to the early 1970s. Taiwan also adopted a less dogmatic policy of 'substantive and pragmatic diplomacy' by substituting commercial and other ties (e.g. cultural ties) for normal diplomatic relations since the 1980s. As such, even with its political isolation from most states, it still managed to successfully construct intensive economic relations with many countries by way of the international commercial and commodity chains.<sup>50</sup>

Following the internal warfare and Lixian workfare state strategy in the 1970s, there are distinctive demarcations between the political, military and economic positions of Taiwan in the international community. At the political level, since Taiwan no longer had a seat in the UN, it was expelled from most of the UN related international governmental organizations (IGOs) (Ferdinand, 1996).<sup>51</sup> By 1990, only 31 countries had formal diplomatic ties with Taiwan and most of them are African, Latin American and South Pacific nations. The only formal diplomatic relation with a European country is with the Vatican (Ferdinand, 1996).

At the military level, the political isolation in the international community was somewhat compensated by the military and defensive alliances with other countries. However, even Japan derecognized Taiwan in 1972 and when the US normalized its relation with the PRC in 1979, both of them recognized the PRC as the sole legitimate government of China. But Taiwan still maintains very intensive yet unofficial commercial and military relations with these two countries (Copper, 2003).<sup>52</sup> Under the Japan-US security alliances, obviously Taiwan has benefited directly from their military concern about an attack from the PRC. And at the economic level, even

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<sup>50</sup> After losing the political and military support of the international community especially the US and confronting the consequent diplomatic setbacks with many countries under pressure from the PRC, the only way for Taiwan to survive was to develop its self-sufficient and export-led strategies to establish linkages with the international market and accumulate the sufficient foreign exchange to develop.

<sup>51</sup> Such as UNESCO, the World Health Organization (WHO) and the Food and Agriculture Organization (FAO), International Bank for Reconstruction and Development (IBRD), International Finance Committee (IFC), International Monetary Fund (IMF) and another nine IGOs and 257 international non-governmental organizations (INGOs) (see Ferdinand, 1996).

<sup>52</sup> As being the regional and global hegemonic countries, Japan and the US as allies favored a containment policy to barrier the expansion of communism from the 1950s.



without official relations with most western countries, Taiwan has successfully transformed itself, becoming an export-led state since the 1970s and now plays an important role in the international high-technology commodity chain and as a paradigmatic export-oriented developmental state (Dent, 2002).

Hence, the specific spatial-temporal fixes that include the international political, military, economic forces and the split ideology that Taiwan faces is what makes Taiwan such a unique actor in the international society. The remainder of this section will unfold into two sub-sections to shed light on the changes of the international system at the political, military and economic levels and the substantial ideologies that constrained and enabled the development of Taiwan from the Post-War era to the end of the Cold War.

#### *4.1.1 International political and military forces--from the Korean War to the Post-Cold War Era*

##### *4.1.1.1. The US policy of anti-communism and military containment*

The United States' China and East Asia policy are closely related to its global strategic concerns. In the 1950s, the Truman administration clearly announced that the US would eschew involvement in the Chinese civil war.<sup>53</sup> However, the outbreak of the Korean War changed the US's global and geo-regional strategies. After the Korean War, US-PRC relations descended into open hostilities and which extended into a cold peace. In this scenario, the US supported and recognized Taiwan (ROC) as having legitimate sovereignty over the mainland and preserved its permanent representative seat in the UN and as one of the 'Big-Five' on the UN Security Council.<sup>54</sup> During the

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<sup>53</sup> The Truman administration announced that Taiwan was a province of China and the United States prepared not to take any military action over a communist attack on Taiwan and would do nothing to prevent a communist takeover of the island. On the other side, the PRC's leader, Mao rejected overtures from both the US and Britain to develop a formal diplomatic relations unless they cut off the relations with KMT (ROC) (Hughes, 1997).

<sup>54</sup> As the PRC leader, Mao chose a policy of isolation from the West and depended on the communist bloc countries.



1950s, the US tried to “contain the spread of communism on a global basis by establishing a balance of power in key geopolitical regions” (Myers, 1989, 11).<sup>55</sup>

To this end, the US tried to isolate and contain the PRC and the expansion of communism through trade embargoes, building alliances and creating a hub-spokes security relationship in the Pacific Basin that still includes South Korea, Japan, Taiwan, Philippines, Thailand, Australia and New Zealand (Bush, 2004). Since then, the priority of Washington in East Asia has been to preserve the cold peace and stability of this region. “Specifically, the United States would deny dominance of the region to any hostile power, by deterrence if possible and by warfare if necessary” (Bush, 2004: 220), and this policy also reflected the US’s hegemonic power in this area. As Hughes identifies from a wider geo-political strategic perspective, “the preservation of KMT regime in Taiwan could serve the interests of both Washington and Moscow”(Hughes, 1997: 17).<sup>56</sup>

In this context, the alliance between the US (Eisenhower administration) and Taiwan was further consolidated by the signings of the US-ROC Mutual Defense Treaty after the PRC shelled Jinmen and Matzu, two offshore islands of Taiwan, in 1954 and a peace treaty between US and Japan in 1952 (Bush, 2004).<sup>57</sup> Moreover, as a political and military ally, Taiwan regularly supported US proposals and had the power of veto to use against the Soviet Union at the UN Security Council. Under these circumstances, the triangular relations among US-Taiwan, added Japan, were established on their reciprocal geo-political interests. This overarching international anti-communism structure gave the KMT government the legitimacy to discipline and

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<sup>55</sup> In the US’s perception, the Soviet Union in conjunction with allies like the PRC and North Korea provoked and promoted revolutions in regions just decolonized from Western states’ rule (Myers, 1989).

<sup>56</sup> “For Stalin, the existence of the KMT regime on Taiwan was useful in so far it ruled out improved relations between PRC and the United States. For Truman administration, on the other hand, supporting the KMT regime became part of a strategy of maintaining pressure on the PRC that force the new state to make increasingly high demands on its Soviet ally, thereby straining the Sino-Soviet alliance” (Hughes, 1997:17).

<sup>57</sup> Taiwan accepted that the treaty area relevant to the US security guarantee was constrained within Taiwan and its offshore islands only, and committed that the KMT military would not undertake any offensive military action without the consent of the US.



control domestic enterprises and civil society and launch developmental strategies and economic nationalism.

#### 4.1.1.2 The US's 'two Chinas' policy and PRC-US rapprochement

In the late 1950s, Eisenhower and Dulles began to search for a better way to protect and ensure the US interests in the Far East after the Premier of the PRC, Zhou Enlai, revealed the possibility of open discussion with the US through negotiation rather than confrontation at the conference of Asian and African countries held in 1955 (Bush, 2004; Roy, 2003).<sup>58</sup> Even the Soviet Union suggested that China should accept Taiwan's independence (Roy, 2003) and to avoid the Soviet Union "being drawn into a major war over an issue that to them was only peripheral interest" (Roy, 2003: 122).<sup>59</sup> However, leaders on both sides, Mao and Chiang, opposed this proposal and insisted that their own government was the sole legitimate government of China.

In the 1960s, after the Sino-Soviet split tension between the two powers increased and armed clashes broke out. There was no sign that the communist regime would collapse on the mainland (Copper, 2003).<sup>60</sup> The newly independent Third World nations allied with the PRC in the UN began to challenge the US's support of Taiwan as a legitimate representative of China in the UN, and cast doubts on the ROC's claim to represent China, calling it a fictional ideology (Tien, 1989).<sup>61</sup> The Kennedy and Johnson administrations did not give up Dulles's idea and went on to suggest two-China states with separate political entities, each controlling certain territory and

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<sup>58</sup> In Dulles's proposal, the US would apply to China the same flexible approach for as Germany, Korea, and Vietnam, and the PRC can be accepted in the international community along with Taiwan, especially in UN. This proposal was also accepted by Britain, Canada and New Zealand (Bush, 2004).

<sup>59</sup> The strategy raised by Dulles was to leave the international position as of Taiwan to an undetermined status that can provide a more robust defense of the Taiwan Strait and Taiwan itself and follow a two-China policy in a divided-country model.

<sup>60</sup> As Nixon saw the Sino-Soviet relation crumble in the late 1960s and the rift between them ended Soviet military support on mainland and further caused some board clashes, Nixon decided to approach China (Copper, 2003).

<sup>61</sup> It made the US began to reconsider the possibility that Beijing might become part of the solution to tension in the Taiwan Strait and not simply as the source of problems and a troublemaker.



made numerous diplomatic efforts to persuade Chiang to accept their two-Chinas, two seats policy in the UN (Bush, 2004).<sup>62</sup>

But international setbacks for Taiwan consequently occurred when France recognized the PRC in 1964; then Canada did in 1970 (Hsieh, 1996) and Japan in 1972. In 1971, US national security advisor Henry Kissinger secretly visited Beijing and met with Premier Zhou Enlai and Mao.<sup>63</sup> Kissinger also arranged Nixon's visit to China the next year (Hughes, 1997; Romberg, 2004; Roy, 2003). Taiwan was shocked and alarmed by this substantial transformation of US policy. Chiang claimed ROC decided to pre-empt losing the UN seat by walking out in 1971.<sup>64</sup> As Hsieh comments, "such an uncompromising and emotional 'one China' policy left other countries with little choice but to make a complete switch to the PRC (Hsieh, 1996: 69).<sup>65</sup>

Under domestic pressure to withdraw troops and getting blamed for the failure of the Vietnam War, Nixon announced his Guam Doctrine in 1969 and adopted a policy of reducing US forces and military commitment in Asia (Copper, 2003). Soothing Sino-American tension and helping the US end involvement in Vietnam (Green, 2004), and also to play the 'China card' against the Soviet Union all needed full engagement with the PRC (Cooper, 2003). As Roy puts it "Sino-American rapprochement resulted mainly from both countries seeking support against their common adversary the USSR. No matter how strongly Taiwan opposed it, this was an event stemming from global forces over which Taipei had little control" (Roy, 2003: 130).<sup>66</sup>

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<sup>62</sup> What the US sought is to create a mechanism and theory that supported and facilitated the PRC's entry into the UN while preventing the ROC's exclusion for reasons of its national interest.

<sup>63</sup> Zhou and Mao pushed Washington for full normalization of relations which in short order switched recognition from Taipei to Beijing.

<sup>64</sup> When China (PRC) replaced ROC's seat in the UN, Taiwan chose an isolation policy as Mao had done in the early 1950s.

<sup>65</sup> Chiang announced there was no room for patriots and traitors to live together and insisted on his absolutist principle that the ROC to be the sole legitimate successor.

<sup>66</sup> Myers also agrees that "the new Nixon strategy called for détente with the Soviet Union and an establishment of diplomatic relations with the PRC. This strategy assumed that the United States might help the PRC to become a counterweight to Soviet expansionism throughout the world" (Myers, 1989:12), and maximize American geopolitical advantages in the Asia Pacific area.



After Nixon's visit to China, the PRC and the US consequently signed three communiqués (from 1972-1982) that outlined the fundamental principles both parties were to comply with: the Shanghai communiqué in 1972(Nixon);<sup>67</sup> the joint communiqué on the normalization of US-PRC relation in 1978(Carter);<sup>68</sup> the US-PRC communiqué on arms sale to Taiwan in 1982(Reagan).<sup>69</sup> The US Congress also passed the Taiwan Relations Act in 1979(TRA) to reaffirm the US's commitment to not jeopardize Taiwan's security and well-being,<sup>70</sup> and to seek a peaceful resolution to the Taiwan question.<sup>71</sup>

Since the Korean War, the US, as the unchallenged leader of the free world, has had a China policy that has profoundly impacted on the foreign policies of many non-communist countries, especially in Western Europe, Latin America and the Pacific region. This policy has offered their recognition of Taiwan as the sole legitimate government of China. However, with the normalizing of relations between the PRC and the US, many non-communist countries removed the diplomatic wall with the PRC at the expense of Taiwan (Ferdinand, 1996). By 1979, Taiwan had all but vanished from all major international communities and organizations.<sup>72</sup>

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<sup>67</sup> The US and Beijing signed the Shanghai joint communiqué in 1972 with both-sides issuing separated statements. On the China's side, it asserted the PRC is the sole government representing China, and Taiwan is a part of China. On the US's side, it acknowledged that all Chinese on either side of the Taiwan Strait maintain there is but one China and Taiwan is a part of China (see Hughes, 1997; Roy, 2003).

<sup>68</sup> The US and PRC established official relations and signed the Joint Communiqué in Dec, 1978. It contains a weak US affirmation of the one-China principle (see Hughes, 1997; Roy, 2003).

<sup>69</sup> The third US-PRC communiqué in 1982 concerns US arms sale to Taiwan. It provides an open-ended US commitment based solely on Taiwan's defensive needs.

<sup>70</sup> The US Congress passed the Taiwan Relation Act (TRC) in 1979. The provisions attempted to freeze Taiwan's status in an 'intermediate state' between two possible statehoods. It treats the island as "a legal personality in US law", and "whenever laws of the US refer to foreign countries, nation states or governments or similar entities, they would also apply to Taiwan (Hughes, 1997: 31).

<sup>71</sup> One the one hand, under the three communiqués, the US committed the 'one-China' principle and recognized the PRC as the sole legal government of China; one the other hand, under the US Congress TRC, the US provides Taiwan sufficient weapons to defense the security of Taiwan. Until 2000s, these four documents signed in the 1970s-1982 still provided the fundamental guidelines for the relations between PRC-US –ROC.

<sup>72</sup> The PRC had won the diplomatic campaign and enjoyed relations with the world's major states; while only few states of relatively little consequence, most with relations being established on a 'money diplomacy', recognize the ROC .



#### 4.1.1.3 The second tier of power in the East Asia and Pacific Region

The Soviet Union and Japan were the two countries on the second tier of power in the Asia Pacific by the 1980s. The second tier of power compounded and intertwined with the hegemonic superpower-the US, and the regional hegemony of the PRC together constrain and shape the international environment and space that Taiwan operated in. The KMT government struggled to survive in the interstice of these hegemonic and regional states.

In the period of the Sino-Soviet split in the 1960s to 1970s, the strained relations between Moscow and Beijing made the Soviet leaders begin a political flirtation with Taiwan. The standpoint of Soviet Union toward the PRC and the ROC was that it verbally supported the PRC in public. However, it opposed the PRC's two attacks on Taiwan's small offshore islands in late the 1950s.<sup>73</sup> Moreover, from a geopolitical and militarily strategic perspective, the Soviet Union presumably wanted to see Taiwan remain outside the PRC's control, or as an independent nation, and actually benefited from the separation of the PRC and the ROC. "The Soviet Union's Pacific Fleet indeed benefited from the Taiwan Strait being an open international waterway" (Copper, 2003: 195).<sup>74</sup> Therefore, Soviet-ROC hostility decreased during the 1960s with the deterioration of Sino-Soviet relations especially after the Soviet claims that they would not support China's goal of reunification and reincorporation with Taiwan.<sup>75</sup> Thus, the geopolitical importance of the Taiwan Strait also enhances the

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<sup>73</sup> According to Roy "Moscow was emphasizing peaceful coexistence with the United States and did not welcome Chinese action against Taiwan. Like the Americans, the Soviets feared being drawing into a major war over an issue that to them was of only peripheral interest"( Roy, 2003: 123). On the ROC side, the foreign affairs officials suggested to Chiang Ching-kuo who was a pro-Sovietist that "Taiwan might host Soviet military bases if the United States switched diplomatic relations from Taipei to Beijing". This proposal did contribute to "Washington's fear that the ROC might seek a separate peace with the Communists if pushed too hard" (Roy, 2003: 137).

<sup>74</sup> "Taiwan in ROC's hands forces the PRC to maintain a substantial military capability on the Chinese southeast coast, limiting the military resources available to deploy at the Sino-Soviet border" (Roy, 2003: 136). Once Taiwan is integrated or unified with the PRC, the Taiwan Strait will be no more an open international waterway.

<sup>75</sup> The Soviets gave indications of accepting the idea that "the ROC on Taiwan was a state rather than a province of China" (Roy, 2003: 136). From this point can be seen the realist calculations of the Soviet's geo-political strategy that endeavor to expanding its influence in the Asia Pacific area.



strategic value of the ROC which helps it to prolong its survival in a very complicated international struggle for power (ibid; Roy, 2003).

The other important player on the second tier power is Japan. During the Cold-War period, Japan's relations with the PRC and Taiwan assumed a 'non-strategic' security orientation and were geared intensively to the US's foreign policy (Yoshihide, 2001).<sup>76</sup> The post-war gradual dismantling of formal European colonialism in the Pacific region led to a number of structures and practices that were put in the place by the US in conjunction with the conservative elites who controlled the newly independent countries in Asia.<sup>77</sup> This purpose was firstly fulfilled by rebuilding Japan that was conceived as the industrial center of the recreated version of the very region it had just colonized and conquered (Bernard, 1996: 660).

However, as Yoshihide (2001) indicates, for Japan, the US policy of containing China and recognizing Taiwan (ROC) as the sole legitimate government of China did not serve the best interests of Japan (Yoshihide, 2001).<sup>78</sup> For the sake of 'autonomous diplomacy' it established commercial and political links with China with Japanese interests in mind and normalized relations with Beijing and derecognized Taiwan in 1972. However, Japan still kept non-official relations and commercial ties with Taiwan with the consent of Beijing. Copying this Japanese formula, many other countries began to establish normalized relations with the PRC and maintain non-official relations with Taiwan (Copper, 2003; Yoshihide, 2001).<sup>79</sup>

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<sup>76</sup> Post-war defeated Japan was "in no position to have an independent strategy, forcing it into the stance of non-commitment to any strategic urge represented by the United States and China" and to swim "along the tide of international strategic imperatives" (Yoshihide, 2001: 145). As such, "the choice of the US-Japan security relationship was fundamental for overall Japanese diplomacy, which made it inevitable for Japan to choose Taiwan over Beijing in 1952" (Yoshihide, 2001: 137).

<sup>77</sup> The US attempted to incorporate these non-communist Asia countries into a capitalist world order and a Cold War network of bilateral military alliances linked by a chain of US bases through bilateral and multi-lateral institutions.

<sup>78</sup> "The massive reorganization of the international environment since the late 1960s was perceived by most Japanese primarily as an opportunity to diversify its diplomatic horizon" (Yoshihide, 2001: 141) and not to blindly follow the US's strategy.

<sup>79</sup> Up to the 1990s, Japan had still been Taiwan's second largest trading partner after the US and as the largest foreign investment source.



In sum, as a small state that depended on US hegemony and protection, there was no space for Taiwan to choose its international status. When the US considered normalizing relations and shifting its recognition to the RPC, one of the reasons that Taiwan did not accept the US's suggestion of a 'two-Chinas' policy was that once the KMT accepted the reality that the KMT no more was the sole legitimate government of China, it would also lose the legitimacy to govern Taiwan. Therefore, it chose the policy of isolation and still claimed its legitimacy over China and Taiwan. However, diplomatic isolation still seriously impacted on the legitimacy of KMT on Taiwan, especially after the US-Sino rapprochement in 1978. As the KMT lost its international political and military support, its legitimacy and authoritarian dominance over Taiwan began to be challenged by the domestic private sector and civil society. Consequently, these diplomatic frustrations forced the KMT to reformulate its political, economic and social policies.

#### *4.1.2 From Atlantic Fordism to post Fordism*

As Jessop points out post-war international institutions and regimes were mainly organized into with the aim of rescuing European nation-states and ensuring their recovery. Therefore, the strategies for revival were to naturalize the national economy and national states links and support the relative closure of postwar economies undergoing reconstruction on the basis of mass production and mass consumption (Jessop, 2000). The advanced industrialized countries overcame the interwar economic collapse by controlling and regulating market and the post-war primacy of politics provided the readjusted role for the states to invest and intervene in the macro-reestablishment policies such as monetary and financial control, industrial relation, public infrastructures and education (Boyer & Hollingsworth, 1997). Therefore, the doctrines of "Atlantic Fordism" (Jessop, 1999, 2000) and "embedded liberalism" (Ruggie, 1983) ensured the circulation of free-floating international currencies did not disturb the stylized Keynesian economy management through state control over the national monetary and financial system. That is to say, the Atlantic Fordist economies and the roles of the states in the territorial confined fixes were

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themselves a product of a spatio-territorial matrix based on “the congruence between national economy, national state, national citizenship and national society, and from institutions relatively well-adapted to combining the tasks of securing full employment and economic growth and managing national electoral cycles” (Jessop, 2000: 338).

To sustain frontline states economically and politically and to prevent them from falling into the communist camp, the U.S. and Western Europe fought proxy wars by providing these states bilateral and multilateral credit and aid, by giving access to the U.S. and to a lesser extent European markets and absorbing their exported products (Winters, 2000). This combination also supported the EA developmental states in maintaining their authoritarian regimes that extensively controlled important resources as assets of national interests. This paralleled with their developmental states model since both sets of strategies were heavily weighted on the regulation of capital market and security calculations (Jayasuriya, 2000; Winters, 2000). These spatial-temporal fixes provided the particular external origins and international contexts for the emergence and consolidation of the EA developmental states.

As such, post-war East Asia economic reorder was established by taking advantage of the subordination of US geo-economic policy to the Cold War-related geo-strategic priorities of the US foreign policy establishment. Under the buttress of US aid, Taiwanese capital and industries were “deeply connected to the production networks of Japanese industrial capital and buyer-driven networks of US retails and imports” (Bernard, 1996:661).<sup>80</sup> Therefore, Japan and the US had the major impact and influence on Taiwan’s economic and development and were the major technology-transferring sources and export resorts by 1990 (see Li, 2002 and also Appendix 4-1 & 4-2, pp.333-4).<sup>81</sup> As the fourteenth largest exporting country in the

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<sup>80</sup> As part of the geo-political and militaries alliance of the US anti-communist bloc in East Asia, the US urged Japan should take responsibility to facilitate the industrialization of the other allied countries by transferring capital and technology in a regional flying-geese model.

<sup>81</sup> By 1990, being having the US as the largest export market, Taiwan also maintained a steady relationship with other key trading partners including Japan, Hong-Kong, Singapore, Germany, Thailand, the Netherlands, Malaysia and the UK (see Li, 2002).



world (Dent, 2002), the economic growth of Taiwan has relied much on the post war regime of “embedded liberalism”.

Supported by US aid, the KMT government stabilized the economic order and launched the land-reform (land to the tiller) program to improve agricultural productivity. The export of agricultural products to Japan was the major source of foreign exchange reserve that was used to import industrial raw materials and machinery in the 1950s. At this stage, the major economic systems were controlled by, and most capital was in the hands of, the government and the big private enterprises. Domestic consumptions were not sufficient to sustain an indigenous market mechanism (Hsueh, *et al.*, 2001). As one of the US’s anti-communist allies, the US did not request Taiwan to overly liberalize its domestic market through the 1970s.<sup>82</sup> In this sense, American hegemony did play an important role on the shape of the trade sector and internal resources allocation in the early stage (see Howe, 2001). Under the fear of communist expansion, the priority of the US policies in this area was to provide support for the governments to consolidate their regimes against the communist threat.<sup>83</sup>

As set out in the TRA of 1979, the US is bound to continue commercial and cultural relations with Taiwan. Taking advantage of this situation, Taiwan was “effectively independent of the Americans in economic management while still securing world-wide market access under the post-war international system” (Howe, 2001: 53). However, beginning in the second half of the 1980s, the economy came under the pressure of liberalization. The large trade surpluses with the Americans in these East Asia NIEs became a political issue in the US and it began to stir up powerful protectionist elements and fair trade controversies. Since Taiwan had maintained long-term trade surpluses with the US, the US requested Taiwan to eliminate its high import barriers, and bilateral trade negotiations focusing on textiles and service

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<sup>82</sup> What concerned the US was to get military expenditure down, enhance the investment rate and stabilize political, economic and social orders.

<sup>83</sup> This standpoint also can be applied to explain the US strategies in other East Asia NIEs such like South Korea, Singapore and Japan.



industries began (Cheng, 2001). Pressure from the US pushed and forced Taiwan toward a liberal market-oriented trade regime. Japan and Taiwan had great trade surpluses with the US and were demanded to reduce those surpluses by 10 percent per year. They were also and pressed more vigorously to allow appreciations of the Japanese Yen and the NT dollar (Hsueh, *et al.*, 2001).

By 1980, the US style of Fordist mass-production had brought many underdeveloped states into producing for its demand-driven commodity chain and which made them connected closely to the economic cycles of the US domestic market. As the world's biggest consumer, the US domestic market could absorb the labour-intensive and light-industrial products of these export-oriented countries, thereby successfully and efficiently dominating their regimes. As Taiwan was excluded from the international financial and monetary institutions that provide loans for development, this forced the government of Taiwan to assume a more cautious attitude of conservatism towards financial policy and go down a path of self-sufficiency and domestic saving (Cheng, 2001).<sup>84</sup> Therefore, under the international pressure of liberalization, although the KMT government had begun to eliminate many import restrictions and barriers, and lifted many nominal restrictions on items of foreign direct investment, however they still kept tight restrictions on the operation of financial and monetary sectors until the 1990s.

To sum up, Taiwanese developmental state burgeoned in specific post-war spatio-temporal fixes in which international political, military and economic structures were subordinated under the ideological dogma of anti-communism. However, the realities at this level were incrementally shifting to reflect a new order of technology innovation, the risks of western style welfare states, the rise of knowledge-driven production systems, the vigorous autonomy of global capitalism and the end of Cold War rivalry between East and West (Jessop, 1999, 2000). The global capitalism gradually accumulated with more autonomous power and operated following logics of

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<sup>84</sup> After the experience of losing mainland due to by inflation and corruption, the KMT regime firmly believed in "fiscal and monetary conservatism, and the separation of technocrats from the political elite" (Cheng, 2001: 27).



market principles. By the collapse of East Europe communism, the international IEMP structures remained similar to that in the Cold War. However, the inter-relations between IEMP powers at international level had substantially disparate from that in the Cold War. Figure 4.1 shows these aforementioned changes of IEMP power resources at the international level, from 1950-1986. It indicates that economic power resources mainly developed by following the interstates military, political power realities that under the ideology of anti-communism. However, even the power configuration at the international level did not change during the Cold War, the military, economic and political power networks gradually accumulated their distinctive power resources and dynamics in the same period.

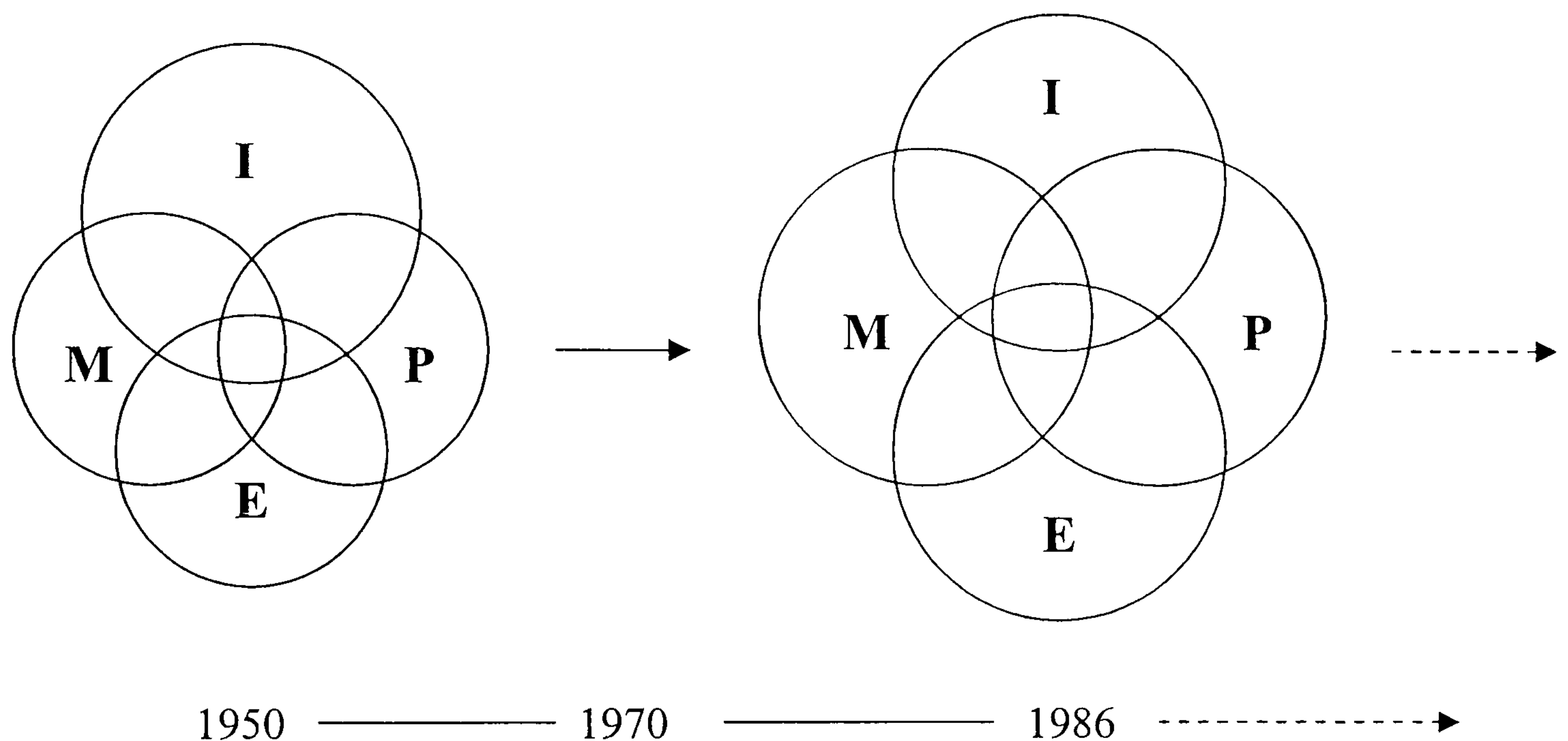


Figure 4.1 Trajectory and Power Resources at International Level in IEMP Model, 1950-1986.

#### Section 4.2 The authoritarian state organizations-- from hard to soft one<sup>85</sup>

The KMT comprehensively took over the political, military and economic power and resources in Taiwan from the Japanese colonial government after their surrender. Initially, “the KMT authoritarianism was constructed on a quadripartite foundation- an elaborate and centralized party apparatus, system of extra-constitutional legal

<sup>85</sup> I borrowed this concept from Edwin A. Winckler. See Edwin A. Winckler “Institutionalization and participation on Taiwan: from hard to soft authoritarianism?” *The China Quarterly*, No.99 (Sep. 1984).



arrangements and emergency decrees, a controlled electoral pluralism implemented at the local level, and the structural symbiosis between party and state” (Chu & Lin, 2001:113). This authoritarian regime was buttressed by military and political power, large state-owned enterprises, and strong control over the financial sector and banks. This scenario of ‘strong state’ vs. ‘weak society’ is also the generalized description of the origin of the orthodox EA developmental states model in many existing literature (Onis, 1991).

Politically, the new coming KMT government was mainly composed of Chinese mainlanders. As an ‘outsider’, the KMT party-state was “built up before the multinational corporations and local capital developed” (Wu, 2004: 93). The arrivals of more than two million immigrants were mostly relocated in civil and military services and the key positions in most of the state apparatuses, armed forces and education system were held by them. As such, the bureaucrats in the government were comprehensively ‘isolated’ from the civil society they dominated.<sup>86</sup> Economically, the KMT government controlled the state-owned enterprises, assets and finances resources as well as major infrastructures and the bank credit-system devised by the Japanese. It also inherited “494 major enterprises in heavy industry and 484 minor ones in light industry. Major enterprises instantly became state-owned enterprises, while minor enterprises were auctioned off” (Cheng, 2003: 24-5). Socially, the society was stratified into the dominant class -mainlanders who controlled all political, military and economic power resources, and the submissive Taiwanese who were comprised resourceless, capital-lacking peasants and unskilled labourers. The political, economic and social status of the Taiwanese was far inferior to that of the mainlanders.

The remainder of this section will briefly explore the IEMP power resources and networks of the state from 1950 to 1986. However, the discussion of the ideological

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<sup>86</sup> There were 7.8 state offices per thousand residents, and the ratio rose to 16 if counting the public school teachers and state enterprises employees. Rigger refers that among department-level officials in the provincial government, the mainlanders outnumbered Taiwanese nineteen to one (Rigger, 1999: 56). The number of Taiwanese in the government sectors was even less than during the colonial period and with more marginalized and discriminated positions.



power of the state will overlap with the political, military and economic ones, due to the centralized power nature in the KMT state-party system.

#### *4.2.1 Ideological power resources of the state*

To consolidate the KMT's supreme dominance in Taiwan, "the type of administration that was developed had to be limited by the KMT's constitutional claim to legitimacy. This meant that the legality of the KMT regime in Taiwan would depend on an ROC constitution devised for the whole of China, with the addition of a number of emergency measures justified in terms of the Chinese nationalist revolution"(Hughes, 1997: 26). Therefore, many of the constitution's democratic provisions were overridden by emergency decrees and provisions to legitimize Chinese nationalism and anti-communist ideology on Taiwan and support a series of repressive laws about Taiwanese rights of citizenship (see Pierson, 1991). These provisions included martial law, and a set of constitutional amendments called the *Temporary Provisions Effective During the Period of Mobilization for Suppression of Communist Rebellions* gave the president unlimited power and wartime authority during the struggle against the communists.<sup>87</sup>

Under these emergency provisions, not only the formation of a new political party was forbidden but in the military, administrative, judicial and ideological organs of the state were employed to control civilian lives. Limitations on the right of assembly, the right of association, and the freedom of publication were put in place (Chen, 1998). These emergency decrees profoundly impacted on the different aspects development on Taiwan. To further root its legitimacy to rule Taiwan, the KMT regime established

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<sup>87</sup> These emergency provisions, constitutional amendments and martial law provided the president "with extensive emergency powers, invalidated the two-term limit on presidency, suspended the re-election of the three national representative bodies- the National Assembly, the Legislative Yuan and the Control Yuan- extend the tenure of their incumbent members for life, and deferred the election of provincial and municipal heads indefinitely" (Chu & Lin, 2001: 114). They also broadened presidential powers, gave the president an unlimited authority unintended by the original framers of the constitution, exempted President Chiang from a two-term limit until the 'retake and return to China" and transferred the rights and powers normally reserved to other branches of government to the president. Thus, under such circumstances, the president "held the most powerful positions on Taiwan: ROC head of state, commander of the ROC military, and chairman of the ruling party" (Roy, 2003: 82).



organizations and systems which comprehensively penetrated every level of society.<sup>88</sup> The authority of the Taiwan Garrison Command (TGC) headquarters- a branch of the military- implemented *Martial Law* and maintained oversight of local government and law enforcement, detained political dissidents, disrupted opposition publications, and carried out censorship and surveillance of Taiwanese citizens. “Martial law also stipulated military trials for certain crimes, sharply limiting civil liberties and due process”(Rigger, 1999:70-1).<sup>89</sup> Further more, the martial law also “restricted public gatherings and dissemination of ideas and information and criminalized dissident activity” (Rigger, 1999: 71).<sup>90</sup>

From an ideological perspective, the KMT regime “showed no hesitations in using the state repressive apparatuses to suppress popular participation and in using the state ideological apparatuses to depoliticize and demobilize the public sphere” (Lee 2000: 125). The major contents of the KMT nationalist ideology were to foster civilians’ absolute loyalties to the charismatic strongman and Chinese nationalism; and the

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<sup>88</sup> As the founder of the Chinese Nationalist-KMT, Sun organized KMT in a quasi-Leninist party style and relied on the ‘Three Principles of the People: Nationalism, Democracy and the People’s Livelihood’ as the theoretical basis and practical programs for China modernization. Chiang expanded Sun’s thoughts and manipulated the cliques not only within the party and the military, but also within the civil service and the business community (see Cheng, 1989; Rigger, 1999; Zhang, 2003). As such, the KMT is quasi-Leninist and retains many structural similarities to the communist party of the Soviet Union. It is a centralized and disciplined party which emphasizes democratic centralism and nationalism, leadership by a professional political vanguard, and mobilization (see Hughes, 1997). The reasons why the KMT was organized in a Leninist model were: first, Dr. Sun had reorganized the party in 1924 on the model of the Soviet Communist Party with the assistance of Soviet advisors; the second is, according to Duverger (1950), many political parties commonly adopted the organizational structural of their opponents to compete more effectively against them; and the third, the style of a Leninist party, emphasizing on a centralized hierarchy, penetration of government and society, and concentration of all decision-making within party committees suited both Chiang Kai-shek’s leadership style and the tasks facing the KMT (Tien, 1996: 46). However, the emphasis on democracy conflicts with its Leninist organizational model and its authoritarian history. “Sun called for rejuvenation of China in three stages: (1) reunification of China through a military campaign; (2) a period of ‘tutelage’ under the dictatorship of the Kuomintang; and (3) the institution of constitutional government” (Roy, 2003: 55). Therefore, “the contradiction between democracy and authoritarianism is partially resolved in Sun Yat-Sen’s idea of political tutelage--a temporary party dictatorship during which the nation is prepared for full democracy” (Rigger, 1999: 65).

<sup>89</sup> Rigger also indicates that the KMT did not rely on negative measures alone. For securing Taiwanese compliance, the KMT used a lot of positive incentives to win Taiwanese people’s support such like economic growth with low employment, rising living standards, and ensuring private property. These all facilitated the KMT’s effective control on Taiwan.

<sup>90</sup> According to Tien, it is estimated that over ten thousand cases involving civilians were decided in military trials form 1950-1986 (see Tien, 1989). While most civilians who “faced prosecution under the emergency rules remain anonymous thousands suffered years of imprisonment for their political ideas, or for associating with other whose politics were suspect” (Rigger, 1999: 71).



purpose was to establish Taiwan as a logistic base for KMT's returning to China and as an ideal-type model for the other provinces of China to imitate. This ideological dominance depended on controls on the mass-media, educational system, universities and other censorship mechanisms. First, the KMT took control of important means of communication with an ideological value. "The mass media-newspapers, magazines, television and radio-were among the KMT's regime's most powerful propaganda tools" (Rigger, 1999: 73) just as in many dictatorial and authoritarian states. The legal control of the media was directly administered by political and military authorities rather than judicial agencies (Chen, 1998: 16). Also enacted were the *Publication Law* and *Detailed Regulations for Implementing the Publication Law* by two agencies-the TGC and the Information Bureau of the Executive Yuan. The press and other publishers were strictly regulated and press censorship by the government was carried out by the banning or confiscation of a single issue of a magazine or the suspension of publication (Tien, 1989; Zhang, 2003). Moreover, the scripts of television and radio programs, and even of the commercials, were under the same censorship mechanism.

These temporary provision and martial law "froze the number of newspaper licenses at thirty-one and ensured that the KMT and its allies would control the press" (Rigger, 1999: 71). "No additional licenses were issued until 1988" and even number of pages of newspapers were required to register with the authority (Rigger, 1999:73).<sup>91</sup> In the 1950s and 1960s, the government intervened by means of fiscal advantages and subsidies<sup>92</sup> that offered to promote better economic conditions for newspapers. Therefore, the party-state run papers accounted for 80 percent of newspapers circulated in Taiwan before 1980. By 1988, the 134,748 heads of neighbourhood and community associations had their newspaper subscriptions subsidized by subscribing to the KMT-owned newspapers (See Chen, 1998; Lee, 1993). The leading media companies, the United Daily Group and China Times Group, both cooperated with the

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<sup>91</sup> "The central government and KMT owned about a third of the thirty-one licensed papers, and they supervised the rest, making sure that the licenses did not fall into the hands of their opponents and keeping close tab even on their friends"(Rigger, 1999:73). The privately run papers survived with the help of government advertising and grants.

<sup>92</sup> Those means included concessions on transportation and telecommunication rate, reduction of duties on imported newsprint and ink and exemptions from sales tax.



KMT regime and their owners were recruited into the *Standing Committee of the KMT's Central Committee* (see Rigger, 1999).<sup>93</sup>

Furthermore, the broadcasting frequencies for radio and television were restricted to public ownership and cooperatives, and controlled directly by the KMT government to ensure national security. Before 1996, the three TV stations were established by Taiwan's provincial government (in 1962), KMT party (in 1969) and the ministries of defense and education (in 1970) (see Rigger, 1999; Tien, 1989). "Of the 33 licensed radio networks and 177 local broadcasting stations, most were owned by the government, ruling party or military, or were affiliated with the KMT" (Rigger, 1999: 74). The KMT regime tolerated limited pluralism that the media were politically subservient but had considerable autonomy in non-political areas (Lee, 2000).<sup>94</sup> However, under intensive political socialization, the space for non-political areas was very limited.<sup>95</sup> These inward military measures and censorships on mass media were used for securing compliance and justified for ensuring national security and deterring hostile economic publications.

Second, the KMT government established a top-down hierarchic system in education from central government to local authorities, and decided all aspects of the curriculum. Only Mandarin was allowed to be spoken in schools<sup>96</sup> and administration of schools,

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<sup>93</sup> The KMT "sought to maintain a patron-client relationship with the media through a policy of incorporation marked by a simultaneous and intermittent interplay of repression and cooperation" (Lee, 2000: 125).

<sup>94</sup> "The KMT-controlled Broadcasting Cooperation of China (BCC) alone accounted for 32 percent of total transmitters and 43 percent of radio power on the island. Then came the six military stations, which controlled 41 percent of the transmitters and 52 percent of radio power. A large number of small private stations (twenty)-owned by the protégés of the security apparatuses, religious groups, and wealthy family-could only share the remainder (15 percent of the transmitters and less than 2 percent of radio power" (Lee, 2000: 125), and were intensely monitored under the supervision of the TGC.

<sup>95</sup> "The journalists were sent to prison for writing treasonous publications, or giving comfort to the enemy" (Rigger, 1999:74), and later in 1970s, were 'advised' to cancel or modify their reports on politic comments. Large numbers of Taiwanese, and even mainlanders were executed or sent to be imprisoned without trial on small offshore island for essentially political offenses or suspected un-patriotism (see Roy, 2003).

<sup>96</sup> For promoting Mandarin as the 'national language', the Taiwanese dialect was discouraged and said to be second-rate, primitive ugly and low class. Students were punished or fined if they spoke



even private ones was tightly controlled. The educational system was utilized for the purposes of socialization, political indoctrination of Chinese nationalism, mobilization and channeling of human capital resources.<sup>97</sup> “The KMT monopolized the role of the normal education system in training teachers for elementary and secondary (junior & senior) schools” to consolidate the citizen’s loyalty (Zhang, 2003: 93).<sup>98</sup>

Third, there was no freedom of speech within university campuses even for academic discussion. In the universities, the scholars and intellectuals were not allowed to promote or distribute any anti-KMT thought or literature, or cast doubts on the ‘extraordinary leadership’ of the ‘charismatic strongman’. Professors and students alike were subject to be arrested for dissent and their behavior was also monitored by the TGC or cells of KMT students. Assemblies on campus had to be pre-requested and all written material and speech had to be previewed. Any violation of martial law (as defined by the TGC), could see the dissenter sent to trial by military court and put into prison or forced into exile overseas (Rigger, 1999; Zhang, 2003).<sup>99</sup>

In a nutshell, the KMT regime dominated Taiwan not only by controlling material and physical resources, it also desperately attempted to consolidate its dominance by intensely imposing anti-communist and patriotic nationalist ideologies in preparation to retake China. Impose ideological nationalism through the tightly controlled media, educational system and inward military censorship mechanisms, anti-communism and

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Taiwanese at schools. The Government also regulated the mass media reduced the amount of time allotted to Taiwanese-dialect programming on TV or radio (see Zhang, 2003).

<sup>97</sup> The central government (Ministry of Education) not only monopolized the resources for the educational system, it also controlled the organizations, staff, budget, and even ‘visions’ of the future. Universities and colleges had especially low autonomy. They could not establish a new department or research units, increase student and class numbers, change curriculum without the permission of the Ministry. As such, it was an efficient way to channel high-educated human resources based on national industrial and economic interests.

<sup>98</sup> It required teachers to be proficient in their professional subject and be able to teach military knowledge, act as political models to students and behave in the way expected by society, loyal to KMT ideology and policy against the communists (Zhang, 2003).

<sup>99</sup> Repression and the White Terror under the martial law forced many Taiwanese political activists and intellectuals to flee to overseas. However, the government also spied on intellectuals, state activists and students studying overseas and some were punished on their return to Taiwan for antigovernment statements made while they were abroad (see Roy, 2003).



nationalism had effectively shaped a collective and unified ideology in Taiwan by 1970. It also provided a strong backup for the legitimacy of the KMT one-party dictatorship and authoritarian rule, and ostensibly maintained social stability aided by a comprehensive political and economic mobilization for development.

In Reus-Smit's terms (2002), the Chinese Nationalist identity in Taiwan was deliberately manipulated by the imagination, communication and constraint mechanisms that confined the people's imagination to the norm, principle, rule and expectation of what a state and party should be. The extensively controlled media and educational system provided an effective communication mechanism to shape people's normative norms, rules and principles constrained under the ideologies of Chinese nationalism and anti-communism, and translated these ideologies into beliefs and patriotic social mobilization.

#### *4.2.2 Political power resources of the state*

The state-party body of the KMT in Taiwan rooted its legitimacy to rule Taiwan in terms of Chinese nationalism and identity not only at the domestic level but also for itself as the political legitimate representative of China with the ROC National Assembly elected in 1948, and in international organizations, especially the UN. This rationale was built on the US's doctrine of 'rolling back' of communism in the Cold War and the ROC was expected to eventually return to the mainland that was stolen and occupied illegally by the communists (see Hughes, 1997).<sup>100</sup>

As the KMT regime viewed itself as the government which represented all of China, it needed representatives from all of Chinese provinces in its legislature. The mainlanders claimed the legitimacy to represent the whole of China, in order to deter and retard inter-mainlander democratic challenges and those coming from native

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<sup>100</sup> For the mission to re-take and return to the mainland, the state remained in a permanent state of emergency, and the original provisions of the constitution were replaced or superseded by emergency decrees which frozen the sitting members, i.e. mainland-elected legislators, in office (until 1991).



Taiwanese.<sup>101</sup> It was until not 1969, under the pressures of international (US) and domestic forces. the KMT government began to allow the first supplementary elections of candidates (11 in Legislative Yuan & 8 to the National Assembly) and Taiwanese were able to compete for posts in the central political institutions. By 1988, those frozen “senior parliamentarians constituted 91 percent of the National Assembly and 76 percent of the Legislative Yuan. Eighty-six percent of Assembly members belonged to the KMT, while the opposition-linked representatives held only about 5 percent of the seats in the Legislative Yuan” (Rigger, 2003: 63). Some of the senior parliamentarians were over 90 years old.<sup>102</sup>

The KMT’s strategy was clearly to monopolize the political institutions by an ostensible form of ‘democracy’.<sup>103</sup> Moreover, the ROC government in Taiwan was established on a symbiosis relationship with the KMT. “Hierarchical party organs were installed at all levels of state apparatus and representative bodies. Party cells reached into organized social sectors, such as labour unions, youth groups, religious groups, professional associations, business associations, farmers’ associations, women’s associations, schools and mass media” (Chu & Lin, 2001: 113-114). “The legitimacy of one-party authoritarianism was ultimately tied to the legitimacy of the state structure” (Chu & Lin, 2001: 117).

From the perspective of revenue, the bureaucratic system was organized in a centralized form so that the central government controlled most of the share of revenue and major tax incomes, and then re-distributed to the local governments according to its policy preferences. The central government also controlled the state-owned enterprises and physical resources such as the important raw materials. Table 4.1 shows the percentage distribution of revenues and expenditures by level of

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<sup>101</sup> When their terms expired, and the mainland had still not been recovered, these legislators should be remained in office for justifying the legitimacy of the regime (Hughes, 1999; Rigger, 2003; Roy, 2003).

<sup>102</sup> As the sitting members died, the government appointed in their place candidates who had finished second or the third in the 1947-1948 elections. That is, the mainlanders held the political power by filling seats with the losers of the elections in China.

<sup>103</sup> In practice, these representatives play little role on policy formation and were compliant captives of the KMT leadership, guaranteeing passage of any bill the KMT leadership proposed (see Rigger, 2003).



government in 1984. Table 4.2 shows the sources of county and city revenue from 1965 to 1985. It can be seen that the autonomy of local governments was limited by its economic resources. The central government could effectively implement its economic policies at the local level without resistance. Decisions made by central bureaucrats were not made in terms of rational institutionalization: they were implemented in despotic and political arbitrariness.<sup>104</sup>

Table-4.1 Percentage Distribution of Revenue and Expenditures by Level of Government, 1984

	Central Government	Province	Taipei and Kaohsiung	County and City	Subcounty
Revenues	57.8	17.4	12.1	9.8	2.9
Expenditures	56.3	16.0	11.2	13	3.5

Source: Tien, 1989: 133.

Note: The Taipei and Kaohsiung cities are municipal ones as Taiwan Provincial Government.

Table- 4.2 Sources of County and City Revenue (as percentage of total revenue)

Year	Local tax income	Subsidies from revenue of Central Government
1965	45	41
1970	47	38
1975	39	45
1980	37	50
1985	45	39

Source: Huang-Shih-hsin (1990) cited in Rigger, 1999: 49.

From the perspective administration, the KMT deployed governing strategies combining two complementary elements: an authoritarian administration and political coordination based on popular mobilization. It successfully consolidated a strong state with high autonomy at every level. Table 4.5 clearly shows that the KMT's strategies for choosing the candidates for the administrative and representative systems were different. The percentage of candidates with factional backgrounds who campaigned for administrative authorities was almost only a half of those who ran for

<sup>104</sup> As Tien identifies "there are no detailed guidelines for the allocation of these subsidies; the amount received by local governments depends as much on politics and favoritism as on merit and need" (Tien, 1989, 132).



representative elections. These political power distribution strategies coincide with the institutional core of capacity-directed bureaucracy in the developmental state model. It implies that the KMT tightly controlled administrative resources, but retained limited access for citizens to present their interests at the local level.

At the national level, the KMT constrained the political participation of Taiwanese and the major positions in government were all occupied by the mainlanders for the first three decades. At the local level, it carefully institutionalized local elections that permitted the native Taiwanese to take part in and controlled the limited popular electoral process by employing a ‘divide-and-rule’ trick that kept at least two competing local factions striving for public offices and other electoral offices by establishing ‘patron-client networks’ (see Chu & Lin, 2001).<sup>105</sup> Through personnel appointments and veto actions that violated its own policies, the KMT could effectively penetrate the society. On the other hand, the KMT allowed “elections for township head, county/city magistrate, and popular election for Taiwan Provincial Assembly to incorporate diversified local elites into the process of party-building and provide the authoritarian system with a modicum of democratic façade” (Chu & Lin, 2001:114).<sup>106</sup> As the government, the KMT party controlled most of Taiwan’s mass media and had vast wealth which gave KMT candidates extensive and positive coverage (Roy, 2003). Table 4.3 given the number of members elected to the Legislative Yuan from 1972-1986. Table 4.4 shows the results of elections of mayors and magistrates from 1950 to 1986. Table 4.5 reveals the KMT shares of votes and seats in the different local elections.

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<sup>105</sup> The smoothing function of the vote-buying mechanism, irregular campaign practices and the local spoils system depended on the indulgence of various state regulatory and law enforcement agencies, which were under the influence of the party. The patron-client networks helped the party to extend its reach into local communities. The patron-client networks are most important in local elections because Taiwan’s single, non-transferable voting electoral system. (Rigger, 2001: 949).

<sup>106</sup> Thus, the KMT developed a mutual dependence relationship between the central party leadership and local factions in patron-client networks to consolidate its dominance. By the late 1980s, “the combined mobilized strength of the KMT party and the local factions virtually with exception delivered more than two-third of popular votes and three-quarters of seats in all elections, especially the more significant country magistrate and Provincial Assembly elections” (Chu & Lin, 2001:115).



Table-4.3 Number of Members Elected to the Legislative Yuan (With Percentage of Votes).1972-1986 (seat/%)

	KMT	NON-KMT				Total
		Nonparty	CYP	DSP	Subtotal	
1972	22(74%)	4(20%)	2(6%)	0(0%)	6(26%)	28
1975	23(79%)	5(17%)	1(4%)	0(0%)	6(21%)	29
1980	41(73%)	11(26%)	0(0.7%)	0(0.1%)	11(27%)	52
1983	44(71%)	9(29%)	0(0.4%)	0(0%)	9(29%)	53
1987	41(67%)	14(33%)	0(0.8%)	0(0.2%)	14(33%)	55

Source: Tien, 1989: 183.

CYP means China Youth Party; DSP means Democratic Socialist Party. Non-party includes the independence candidates and tangwai (the opposition group that were not allowed to organize the new formal party). Representative of overseas Chinese communities and vocational groups are excluded.

However, it can still clearly be seen from Table 4.3 to Table 4.5, that there was an average about a 30% share of the vote for the non-KMT candidates (factional or non-factional) that competed as independent candidates or for opposition groups in the campaigns. Therefore, on the one hand, despite the KMT regime's mobilizing rural supporters and penetrating society with various local cells, vote-buying mechanisms, and patron-client networks, in the process of campaigning and voting, at least it reserved some space for the unsatisfied people to present their political requests, self-interests and even concealed resistance to the KMT regime. And even though, 'winner takes all' was the rule for elections at different levels and the KMT took most of the offices and seats for representatives, there was still about a steady one-third of the population who voted for the non-KMT or opposition candidates. Under the intensive suppressions, the significance of this latent but radical resistance to the KMT dominance had profound meaning.

Table- 4.4 Elections of Mayors and Magistrates, 1950-1986

	Total Posts	KMT		NON-KMT	
		Posts	Percentages of popular vote	Posts	Percentages of popular vote
1950	21	17(81%)	-----	4(19%)	-----
1954	21	19(90%)	72	2(10%)	18
1957	21	20(95%)	65	1(5%)	35
1960	21	19(90%)	72	2(10%)	28
1964	21	17(81%)	73	4(19%)	27
1968	20	17(85%)	72	3(15%)	28
1972	20	20(100%)	79	0	21
1977	20	16(80%)	70	4(20%)	30
1981	19	15(79%)	59	4(21%)	41
1986	21	17(81%)	62	4(19%)	38

Source: Tien, 1989: 187.



Table-4.5 Local Faction and KMT Shares of Votes and Seats in Provincial Assembly and County Magistrate/City Mayor Elections 1954-1989)

Year	Taiwan Provincial Assembly Elections				County Magistrate/ City Mayor election			
	KMT's Share of votes (%)	KMT's local faction's share of seats	KMT's share of seats	Total seats	KMT's share of votes (%)	KMT's local faction's share of seats	KMT's share of seats	Total seats
1954	68.8	27	48	57	71.8	17	19	21
1957	67.8	28	53	66	65	16	20	21
1960	65.4	29	58	73	72	16	20	21
1963	68	32	61	74	--	--	--	--
1964	--	--	--	--	73.1	16	17	21
1968	75.5	27	60	71	72.4	15	17	21
1972	68.9	23	58	73	78.6	9	20	21
1977	64	32	56	77	70.4	7	16	21
1981	70.3	25	59	77	59.4	12	15	21
1985	69.8	34	59	77	62.6	13	17	21
1989	64	30	55	77	56.1	14	14	21

Source: Modified from Chu & Lin (2001): 116, Table 1. The original data provided by the Political System and Change Workshop, department of Political Science, National Taiwan University.

In much of the existing literature, the dictatorial authoritarianism of KMT regime is an overemphasized generalization, in fact it mobilized civil society through the different means of political coercion, cooperation and social mobilizations (Chu & Tien, 1997; Rigger, 1999). However, the evidence here demonstrates that it tolerated the voices of those who voted for the non-KMT or independent candidates, and maintained some degree of freedom and space for limited democratic campaigns at different electoral levels. Obviously, the strategies of the KMT to keep limited competitive situations for presenting interests or channeling rent-seeking opportunities at the local level maintained a stable and steady social order in the first three decades of its dominance. Furthermore, effectively weakening the finances and resources controlled by the local governments also enhanced the power and autonomy of the central government.

#### 4.2.3 Military power and resources of the state

Military and security forces reinforced the KMT's authoritative rule on Taiwan. After retreating to Taiwan, the KMT regime established control over the military with the creation of a military commissar system under Chiang Kai-shek. Chiang also



comprehensively controlled the administrative, party systems and even the educational system, and endowed himself with the political, military and economic power and resources.<sup>107</sup> After his death in 1977, his son China Ching-kuo inherited these dictatorial powers from him in 1978. This subordination of the military to the political system dominated by the KMT depended on the unified leadership of the velvet transfer of power from one mainlander strongman to another (Tsang & Tien, 1999). The military's discipline and loyalty to the KMT party state and its supreme leader was ensured (Tsang & Tien, 1999: 30). However, Taiwan was never a state that was controlled under militarists even though Chiang himself was a militarist on the mainland.<sup>108</sup>

Under the emergency provisions, the roles of the military were not only confined to its defensive and security functions but expanded to involve value integration and elite-mass integration which were not generally the province of the military (Bullard, 1997). This was an inward warfare strategy that targeted the civilians within its territory.<sup>109</sup> Even the process of territorial integration to China was never completed by the KMT leaders. They were, however, able to establish effective control over one part of what they claimed was their national territory and that part was Taiwan. They were thus able to begin to consolidate their efforts to accomplish the other integration tasks.

At the international level, Taiwan's military status was dependent and marginalized. However, at the domestic level, as the emergency provisions created outgrowth institutions that were designed to broaden presidential power and not be constrained by the framers of the constitution, the inward warfare strategy contributed a lot towards effectively controlling domestic stability. The most important institutions

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<sup>107</sup> Chiang established himself as the charismatic leader of a triple alliance of the government, the ruling Nationalist (KMT) Party, and the military connected the twin missions of regaining of China and anti-communism.

<sup>108</sup> Unlike in many South East Asia, Africa and South American countries, the military have been tightly controlled by the president and ruling party supremacy and have not caused any domestic turmoil or political interference since 1949.

<sup>109</sup> The primary effort of this allegiance warfare is "the struggle for the heart and minds or loyalties (allegiance) of all citizens, military and civilian".



were the creations of the TCG and National Security Council (NSC).<sup>110</sup> Under these emergency provisions, “practically, any major external policy and internal security matters may be declared a national security issue and thus may fall within the NSC’s jurisdiction” (Tsang & Tien, 1999: 109).

Therefore, the most important military mission on Taiwan from the 1950s was to engage in the value creation part of allegiance warfare, to create citizens’ patriotism and civic consciousness of anti-communism under the leadership of strongman. As noted, the tasks of national, value and elite-mass integration describe the political socialization process necessary to achieve citizen support for or allegiance to the political community (KMT), the regime and the government” (Bullard, 1997: 15), however, under the preposition of territorial integration of China. As Taiwan’s international status and legitimacy confronted hardships, however the inward warfare strategy and legitimacy were inevitably to be challenged by domestic resistance.

#### *4.2.4 The economic power and resources of the state*

As the KMT retreated to Taiwan, it faced problems of capital shortages, international deficits, insufficient production, high inflation (an average 922% each year from 1946-1949) and unemployment ratio (10%) (Yeh, 2001). As result of the Japanese construction of an agricultural economy, industrialization in the processing of agricultural products was the major resource of foreign exchange and the main locomotive force for economic recovery.<sup>111</sup> The economic blueprint was mainly developed from Dr. Sun Yat-sen’s thoughts and the much earlier essays of Confucian and Legalist Scholars from ancient China.<sup>112</sup> As such, the original scheme of the

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<sup>110</sup> The purpose of the former was to maintain oversight of local government, detained political dissidents, disrupted opposition publication and movements, carry out censorship and surveillance of Taiwanese citizens and stipulate military trials without the due process of judicial trial (Tien, 1989). The latter was established “at the order of the president to make policy decisions regarding ‘national mobilization and suppression of the communist rebellion’”

<sup>111</sup> The agricultural commodities during the Japanese colonial period included various tropical foodstuffs (sugar, tea, canned pineapple, mushrooms, asparagus, banana) which along with rice were exported to Japan as the major resource of foreign exchange reserves for imports of industrial raw materials and machinery.

<sup>112</sup> Setting out from these thoughts inherited from imperial China and reconstructed along authoritarian



KMT's planned economy emphasized that "state power in the management of the economy had clear priority over the private autonomy of a market-based economic system" (Hsueh, *et al.*, 2001: 12).<sup>113</sup> This autonomy also facilitated the KMT's implementing an unprecedented land reform in Taiwan for extracting more supporting capital for industrial sectors.<sup>114</sup>

The scheme of a planned economy is a form of 'nationalist economy' and 'Listian workfare regime' in practice.<sup>115</sup> In the case of Taiwan, the economic activities were under the disciplines of political and military purposes. The shortage of natural resources and insufficiencies on institutional arrangements were mitigated by the legitimacy of the inward warfare strategy that could effectively mobilize and control the economic and extra-economic resources and systems. Moreover, the weakness of domestic private sectors and civil society enabled the state to operate the policy tools without resistance. Taiwan economic development went through four distinct stages up to the late 1980s. 1952 to 1960 was a period strongly focused on post-war reconstruction and export promotion. From 1960-1970, there was a period of import-substitution. In late 1960s to 1980s, the emphasis was placed upon import substitution and export expansion (Yeh, 2001). Last, the economic and industrial structures were transformed into reformulated 'strategic trade policies' by exporting high value-added (capital-intensive) and high-technology (skill-intensive) products since the late 1980s.

#### 4.2.4.1 From stabilizing economic order to the first-wave import substitution

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Leninist lines, the legacy that the government (or the state) should intervene in the economy and is responsible for livelihood of the people was accepted by many Asian states and their people that have been influenced by Confucian thought for centuries. This Confucian thought and principles on the relations between the state, business and people are a very traditional legacy that seldom seems to be doubted by the Asian states (both political elites and their people) even until very recently.

<sup>113</sup> The KMT government's initial approach to the macro-structure adjustment problems was heavily influenced by the ideological baggage and legacy that it brought with it from the Chinese mainland.

<sup>114</sup> The post-war land reform suggested by the Sino-American Joint Commission on Rural Reconstruction led to the redistribution of nearly one-fourth of Taiwan's cultivated land to tenant farmers and landowners.

<sup>115</sup> However, the resources and power controlled by the planned economic blueprint of the KMT are far beyond that Jessop describes in Listian workfare state strategies of NICs (see Jessop, 1999).



In the first decade of the KMT's arrival, major enterprises and economic resources from the Japanese and US aid provided firm foundations for its centralized economic structure and social stability.<sup>116</sup> As the relations between Chiang Kai-shek and US were not as smooth as taken for granted after their disagreements on grand strategy against the PRC (see Roy: 113),<sup>117</sup> the KMT government encouraged the first-wave import-substitution industries (1952-1960) to avoid over-dependence on the US. The state-owned enterprises were designed to control key industries and monopolize important resources and raw materials for the mission of returning to China (McBeath, 1997). As McBeath identifies, the economic strategies of the KMT government “controlled over strategic materials, assisted industrial upgrading and development, aided implementation of counter-cyclical and supply-side management policies, provided economic security for regime supporters, provided a training base for the state economic bureaucracy, and extended the arms of the state through linkages with satellite suppliers and downstream firms” (McBeath, 2001: 1149). They contributed to stabilizing the economic order and adding the governmental revenues rather than depleting state resources and exploiting society. As such, the functions of the state enterprises were not constrained to maintaining economic stability, but also political and societal stability.

The purposes of these policies were not different from those in other underdeveloped countries scattered across East and South Asia, South American and Africa which at that time set out with strong nationalist ideas for reducing dependence on the advanced countries and regaining economic autonomy of the state within its own territory. In this period, the industrial and agricultural policies were developed in tandem. The economic policies were “designed to promote industry to fit readily within a fairly strong version of the import substitution approach.” “The basic goal of

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<sup>116</sup> US aid helped to construct a stabilized secure environment, and eventually was withdrawn in 1966 (Yeh, 2001). The arrival of US aid helped to stabilize the economic order, offset the fiscal deficit by selling the US-aid materials to use for loans for investment in infrastructures. However, the reconstruction of the economy also facilitated the import of daily necessities, capital equipment and raw materials (Yeh, 2001).

<sup>117</sup> Chiang was unhappy the US did not support his projects to invade the mainland during Mao's Great Leap Forward (1958) and during the Cultural Revolution. He also opposed the US's 'two Chinas' policy.



industrial policy was to develop domestic industries that could produce basic necessities to replace the dependence on imports evident at that time” (Yeh, 2001: 15).

In the KMT’s scheme of things, the main economic actors on this stage were public enterprises and the state itself.<sup>118</sup> The major governmental measures to back up these industries included outright import bans and restrictions on luxury goods and goods already produced domestically; high nominal import tariff rates (average rate 38.2%) especially for the protection of domestically produced goods; intensive control on the foreign exchange rate by the Central Bank; and restrictions on new industrial plants (Hsueh, *et al.* 2001; Wade, 1990; Yeh, 2001). These policy tools are also some of the orthodox prescriptions in the statist developmental model (Johnson, 1999; Wade, 1990).

The public enterprises invested in chemicals, mining, metals, fuels, and food processing that gave the state the ability to monopolize upstream raw materials for downstream private small and medium enterprises (SME). These downstream SMEs were almost always owned by the mainlanders or Taiwanese landlords who had capital to run businesses such as plastics, basic metals, synthetic fibers, and advanced electronics. Moreover, “centralized management of railroads, other transportation linkages, and the telephone, telegraph, and the postal service gave the KMT government the ability to monitor the population’s movements and communication. Control over the banking and financial sector allow the government to stabilize economic fluctuations, particularly inflation; capture scarce foreign exchange; and direct economic growth. Control over food processing, textile production, and trading in rice, salt, and oil completed the regime’s administration of the basic necessities of life” (McBeath, 2001: 1162).

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<sup>118</sup> “The government’s approach to achieving import substitution was interventionist to an extreme degree. To begin with, the government identified promising investment opportunities, drew up plans, and invited particular private entrepreneurs to carry them out, arranging low-interest loans and foreign aid funds for those who did. Since government owned the banks and directly controlled the allocations of aid funds, directing resources to the favored sectors and firms was easily managed” (Hsueh, Hsu & Perkins 2001:15).



Table 4.6 shows the distribution of industry by private and public ownership before 1993. Table 4.7 gives the production and ownership structure in post-war Taiwan's manufacturing sector, 1952-1998. Table 4.8 shows the public-private share of gross domestic product (GDP) before 1991. Appendix 2-1 is the public and private shares in GDP by Industry.

Table-4.6 Distribution of Industrial Outputs by Private and Public Ownership before 1993

	1950	1952	1955	1956	1960	1965	1971	1977	1980	1986	1989
Private	43.4	43.4	48.9	49	52.1	58.3	77.1	77.2	79.1	82.5	81.5
Public	56.5	56.6	51.1	51	47.9	41.3	22.9	22.8	20.9	17.5	18.5

Source: Zhang, 2003: 126; Taiwan Statistical Data Book, Economic Planning Council, 1976.

Table-4.7 Production and Ownership Structure in Post-War Taiwan's Manufacturing Sector, 1952-1990

	Light	Heavy& chemical	Private	State-Own
1952	n.a.	n.a	43.8	56.2
1960	76	24	56.2	43.8
1970	65.7	34.3	72.3	27
1980	53.8	46.2	85.5	14.5
1990	33.6	66.4	89.7	10.6

Source: Modified from Cheng, 2001: 30

Table- 4.8 The Public-Private Share of Gross Domestic Product (GDP) before 1987 (%)

Year	Total Gross Domestic Product	Government Services	Public Enterprises	Private Non-regulated Enterprises	Agriculture
1951	100.0	10.9	17.4	NA	NA
1956	100.0	10.7	15.0	48.8	25.5
1961	100.0	11.3	16.7	46.5	25.5
1966	100.0	11.0	16.1	50.4	25.5
1971	100.0	11.5	16.8	58.7	13.1
1976	100.0	9.8	16.8	62.0	11.4
1981	100.0	10.4	16.0	66.3	7.3
1986	100.0	9.4	14.3	70.7	5.5

Source: Modified from Hsueh, *et al.*, 2001: 104.

It can be seen that the state-owned enterprises had at least close to a fifty percent share of ownership in the industrial and manufacturing sectors by 1960. However,



their contributions to GDP were far lower than private enterprises and even lower than those of the agricultural sector by 1966. This could be explained by the value-added productivity of the private enterprises being greater than those of public enterprises from the late 1950s. Also the purpose of these enterprises was more politically directed than purely economic-efficiency directed.<sup>119</sup> As such, their functions on stabilizing social and economic orders and maintaining market price-mechanisms were significant.<sup>120</sup> Appendix 2-1(p.329) shows the public-owned enterprises still have large shares of infrastructural sectors such as electricity, oil and water supply and in the financial and monetary sectors even until 1990s.

#### 4.2.4.2 From import-substitute nationalism to export-expansion developmentalism

The import substitution policies created problems however, the small scale domestic market of Taiwan became saturated with domestic products by 1960.<sup>121</sup> Under pressure from the US for a more liberalized market mechanism in exchange for a mutual defense agreement, the government launched the '19-point economic reform'<sup>122</sup> and introduced the *Statute for Encouragement of Investment* in 1960.<sup>123</sup> The

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<sup>119</sup> From the state side, as McBeath identifies the state-owned enterprises had both economic and political functions. "They allowed state control over strategic materials, assisted industrial upgrading and development, aided implementation of counter-cyclical and supply-side management policies, provided economic security for regime supporters, provided a training base for the state economic bureaucracy, and extended the arms of the state through linkages with satellite suppliers and downstream firms. Their indirect effects have been to check conglomerate and multinational control of Taiwan's political economy (McBeath, 1997: 1149).

<sup>120</sup> The public enterprises are the main source of employment opportunities for the KMT's political allies in the mainlander communities.

<sup>121</sup> In an absence of potential large markets the industries could not survive or expand to create sufficient new jobs to solve the unemployment problem. In the second four-year plan (1957-1960), it had shifted the emphasis upon the export promotion as a means of replacing import-substitution.

<sup>122</sup> The Nineteen-Point Program focused on economic reform with more market-oriented policies and export-led growth strategies. It made clear that the private sector was to be the leading edge of the overall economic development program, and led to better transparency and control over the government's budget and a reformed bank system. The context for the drawing and promulgating of the Nineteen-Point Program has two facets. Internationally, the US promised to send the Seventh Fleet to patrol the Taiwan Strait and ensure Taiwan would not be attacked by the Chinese communists, however, the US did not support President Chiang's goal to recover the Chinese mainland from the onset. However, in the 1950s, most of the US aid was spent on defense expenditure and the import substitution did not resolve the economic problems and bring in any progress for Taiwan's private sector. In 1958, John Foster Dulles signed a mutual defense agreement with Taiwan and pushed President Chiang to "change his policy for recovery of the mainland from one stressing the military to an approach based on developing Taiwan's economy" (Hsueh, *et al.*, 2001:20). Therefore, under the



practical side of these policies included import tax rebates, the establishment of a developmental fund to provide low-interest rate bank loans and three export processing zones (Kaohsiung, 1966; Tantse and Nantze, 1971) with greater tax incentives and more efficient ways to export (see Hsueh, *et al.*, 2001; Yeh, 2001). Economic activities were the earliest systems modernized administratively in Taiwan, even if still under the auspices of the government.

In order to encourage exports, small and medium enterprises (SMEs) not in these export processing zones also enjoyed the same advantages and incentives for exporting products. Under these encouragements (savings, investment, exports), there were numerous SME scattered everywhere in Taiwan supported by family factories. From the late 1960s onward to 1980, Taiwan was an extreme example of an economic mobilization state. Besides formal labour, old people, women and children were all involved in producing labour-intensive and downstream products in the living-rooms of homes.<sup>124</sup> By 1971, Taiwan had accomplished the transition from an agrarian economy to a primitive Fordism with labor-intensive manufacturing of light consumer products including leather, wood products, consumer plastics, electrical machinery and apparatus, garments and shoes. Industrial employment rose steeply and

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'suggestion' (eight point proposal) of the US, the economic policies changed to accordance with the mutual defense agreement that requested Taiwan should get the government military expenditures down and the investment rate up. At the domestic aspect, the local market was saturated with products produced by the import-substituting industries, however the shortage of foreign exchange and inflation still caused serious economic problems and unemployment. Moreover, President Chiang was concerned that his government had become too dependent on USAID. Therefore, 'self-sufficiency' by reducing dependence on USAID and foreign grants and seeking an alternative source of foreign exchange became impeding for the Taiwan government. Hence, under external and internal pressures, the government adjusted the import-substituting strategy to an export-led strategy.

<sup>123</sup> The purpose of the these policies were posited under the suggestions of mainland economic bureaucrats trusted by Chiang, to establish a more modernizing fiscal and economic administration and pro-market investment environment for attracting private investment, especially foreign capital, joint ventures & overseas Chinese capital.

<sup>124</sup> "Living Rooms as Factories' program and 'Mother Workshops' were two major community development campaigns. "The 'living rooms as factories' program, referred to as the 'family subsidiary employment program', was design to bring the surplus labour of communities and families into productive work". These programs were established on "the outgrowth of patriarchal capitalism, in which the interests of the capitalists, the state, and the international market are all served". They laid out the KMT's plan to incorporate women into productive labour while instructing them to fulfill their moral obligation to promote Taiwan's economic development", and futher, "the program was initially designed to remedy the social unrest and disorder presumed to have been created by economic development" (Ping-Chun Hsiung, 1995).



jobs declined sharply in agriculture (Mai & Shih, 2001). Table 4.8 and Appendix 2-2 (p. 330) clearly indicates how the agricultural contribution to GDP dramatically declined since the 1970s.<sup>125</sup> Taiwan transformed it into a 'developmental state' at this stage.

At the macro level, the trend from a warfare state to a more Listian workfare state can clearly be seen in Appendix 3-1(p. 332). In 1975, the expenditure for economic development (30.3%) exceeded that of national defense (24.5%). This implies that the KMT government began to seriously consider the reality that its sovereignty was confined to Taiwan. The ratio for national defense rapidly declined from 1974 and the ratio for economic development climbed high since 1975. However, the ratio of social security remained low and mostly confined to social provisions for civil servants and the military.

At the societal level, the national savings ratio increased to over 30% before 1970 and became the major source of funds for economic development, enough to offset the withdrawal of US aid (Yeh, 2001: 11). As such, the self-help development strategies through exporting brought Taiwan a self-funded economy that had the capacity to pursue an upgraded and capital-intensive production model. The private enterprises (especially Taiwanese SME) accumulated sufficient capital to form a more efficient production model with better linkage to the global market.

#### 4.2.4.3 The emergence of high value-added and high technology-intensive industries

The oil crises in 1973 and 1978-9 plagued the economy with stagflation and recessions. In addition, severing diplomatic with the US after its normalization of relations with the PRC all forced the new president Chiang Ching-kuo, son of Chiang Kai-she, to reconsider and face these extreme challenges to Taiwan. Concerns about security and long-term economic development became the prior and prominent issues

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<sup>125</sup> "(T)he agricultural sector had lost its leading economic role due to the loss of land and labour to the industrial sector and the resultant rising wages" (Yeh, 2001: 10).



for the government rather than the protection of US troops. Chiang Chiang-kuo had faith in supporting public enterprises and launched the Ten Major Development Projects.<sup>126</sup> Unlike South Korea's policy of subsidizing targeted and strategic sectors (chaebols), Taiwan's government was unwilling to subsidize private businesses owned by Taiwanese who had weak ties with the KMT government. The KMT regime sought to prevent the emergence of huge conglomerates that could potentially challenge its hegemony over Taiwanese society (Zhang, 2002). Hence, the insulated, politically appointed bureaucrats from the mainland under the protection of president retained full autonomy and power regarding decision-making and were relatively free to do whatever they thought was best for the economy from a macro perspective. This bureaucratic autonomy depended more on the indication of the strongman, however far less on institutionalization of their institutional, administrative and political capacities.

In order to maintain the international competitiveness of Taiwan's businesses, Chiang Ching-kuo began to accept the shift from heavy industries toward oil-saving technology intensive and capital-intensive industries.<sup>127</sup> These technician bureaucrats,<sup>128</sup> particularly Dr. Sun Yun-hsuan who was appointed as premier in 1978 and who was also an excellent engineer from the mainland, created the Industry Technology Research Institute (ITRI) and began to promote the establishment of Hsin-chu Science-based Industrial Park in 1980. The original idea behind establishing this park was to create a high-technology version of an export processing zone that could attract foreign enterprises to invest. However, it surprisingly attracted many individuals or groups of brain-drains talents that had gone abroad for training and

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<sup>126</sup> The Ten Major Development Projects that focused on heavy industries such as steel, petrochemicals, shipbuilding and transport infrastructure investments (super highways, railroads, international harbours and airports). The later projects comprised to develop a domestic automobiles industry and a nuclear power plant.

<sup>127</sup> Chiang Ching-kuo preferred projects that developed the heavy industries and public enterprises. However these industries were major consumers of energy and hence made Taiwan even more dependent on the increasingly highly-priced oil that was controlled by the OPEC and prone to the impact of world economic cycles.

<sup>128</sup> The technical bureaucrats were the institutional core of the Taiwanese developmental state. Most of them were well-educated engineers who retreated to Taiwan with the KMT. Without them, it would have been impossible to launch the high-tech industries.



educating and had stayed to work (mainly to the US), in such places as Silicon Valley (Hsueh, *et al.*, 2001; Li, 2004).

Another significant and famous contributor to Taiwan's technological advancement was Li Kuo-Ting (K.T. Li) who was known as the 'father of technology' in Taiwan and who pushed to establish an economic structure based on high value-added and advanced technology industries.<sup>129</sup> Under Li's guidance, this holistic project kicked off a tremendous structural transformation in Taiwan's technological industries. It supported the infrastructures required with broad-based scientific and technological plans which not only allocated material resources but also intervened into human resources. That is, not only in the economic sector but also in the educational and other related sectors, were the limited resources constrained and channeled into developing this macro technology-related development project (Li, 1995).

The term *strategic industries* began to appear in the government's economic six-year plans in 1978 and were targeted in the following ten-year economic development plan (1980-1989) that focused on the development of high value-added and low energy-intensive products such as of machinery, information, electronic, electrical and transportation equipments. These export-purposed strategic industries were defined by six criteria and received tax rebates, and other forms of special treatment. The criteria were referred to as "two bigs, two highs, and two lows": "(1) big linkage effects to other sectors, (2) large market potential, (3) high-technology intensity, (4) high valued added, (5) low energy intensity, and (6) low pollution intensity" (Hsueh, *et al.*, 2001: 63; Li, 2004).<sup>130</sup> This heavy investment in high technology sectors is a classical model

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<sup>129</sup> Li was the chairman of the Coordinating Committee for the Application of Science and Technology to National Objectives and drew up the Science and Technology Development Program in 1979. Li had serious conflicts with Chiang Ching-kuo on the implementation of heavy industries projects and preferred a more liberalized economy. This demonstrated that even in the bureaucratic system, the unity was only an ostensible image. There were serious power struggles and resistant voice in the alliance of mainlanders.

<sup>130</sup> The practical means included to heavy investments in R&D activities in the state laboratories, and channeling students and funds in the universities and research units into technological-related fields for providing sufficient human capital resources for the development of technological industries. There was also an emphasis on training and recruitment of high-level science and technology personnel and encouraging foreign-educated technological scholars and experts back to Taiwan, mainly from the US.



of a Listian workfare state in Evans's (1995) and Weiss's (1999, 2000) descriptions.

By 1980, Taiwan began running large trade surpluses with large surpluses of saving over domestic investment and became a capital-exporting state investing in some South-east Asian countries using its successful export-driven model (see Appendix 7-1). More importantly, under the leadership of the politically protected technician bureaucrats, the Electronic Research and Service Organization under ITRI set up a prototype plant for wafer fabrication and signed a technology transfer contract with the U.S. firm RCA (Hsueh, *et al.*, 2001; Li, 1995; Sun *et al.*, 2001). "Based on this technology and in order to commercialize this effort, the United Microelectronics Cooperation (UMC) was founded in 1979 with 40 percent of its equity capital from the government and the remainder from private firms. UMC became the center for developing and diffusing integrated circuit technology..." (Hsueh, *et al.*, 2001: 60).

Following this, Taiwan Semiconductor (TSMC) was established in 1987 for developing very large scale integrated circuit production. Until the 2000s, clusters of electronic and high-technology enterprises in the Hsinchu Science-based Industrial Park still accounted over 70 percent of the paid-in capital and over 80 percent of total sales on GDP. The two government induced semiconductor enterprises produce over seven percent of world total production (the fourth-largest behind US, Japan and Korea) and contribute large amounts of revenue for Taiwan government (Mathews & Cho, 2000; Rosecrance, 1999). Moreover, their backward and cluster effects on the IT related and knowledge-based industries (IC & notebook production, package, wafer supply, design and foundry work) are immeasurable (Rosecrance, 1999).

The government of Taiwan did play the "midwifery" and "husbandry" roles as suggested by Evans (1995) to initiate, cajole, induce and assist the private enterprises to venture into high-technological and high value-added production and promote their competitive abilities in the global market. However, once the government-sponsored research institutions (such as ITRI) transferred their skills and patents to the private sector, they left operations of the individual firms to a free market mechanism even



though the government has a share of these enterprises (Mathews & Cho, 2000; Rosecrance, 1999). The government does not and actually can not intervene in the processes and strategies that the private sector employs in the international market. This was particularly evident in the government's incapacity to intervene in the competitive price war for micro-chips, D-RAMs and LCD monitors between Taiwanese companies in the global market in the 1990s.

Being a small state, the capacity of the state to absorb targeted private sector or industries risk was not as easy as the descriptions in much of the existing literature (Weiss, 1998; Thurbon & Weiss, 2001; 2006), and the government's role in targeting specific industries and firms was on the way out by the late 1980s.<sup>131</sup> As a whole, the industrial giants and their global operations had become too large and complex to be governed by bureaucrats, administrative or technical. Moreover, there are too many conflicting interests for the government to play an active sector-by-sector leadership role (Hsueh, *et al.*, 2001; Wu, 2004). It seems that the technical capacity of the state seems to confront inevitable shrinkage once the fostered industries become mature and autonomous in the market.

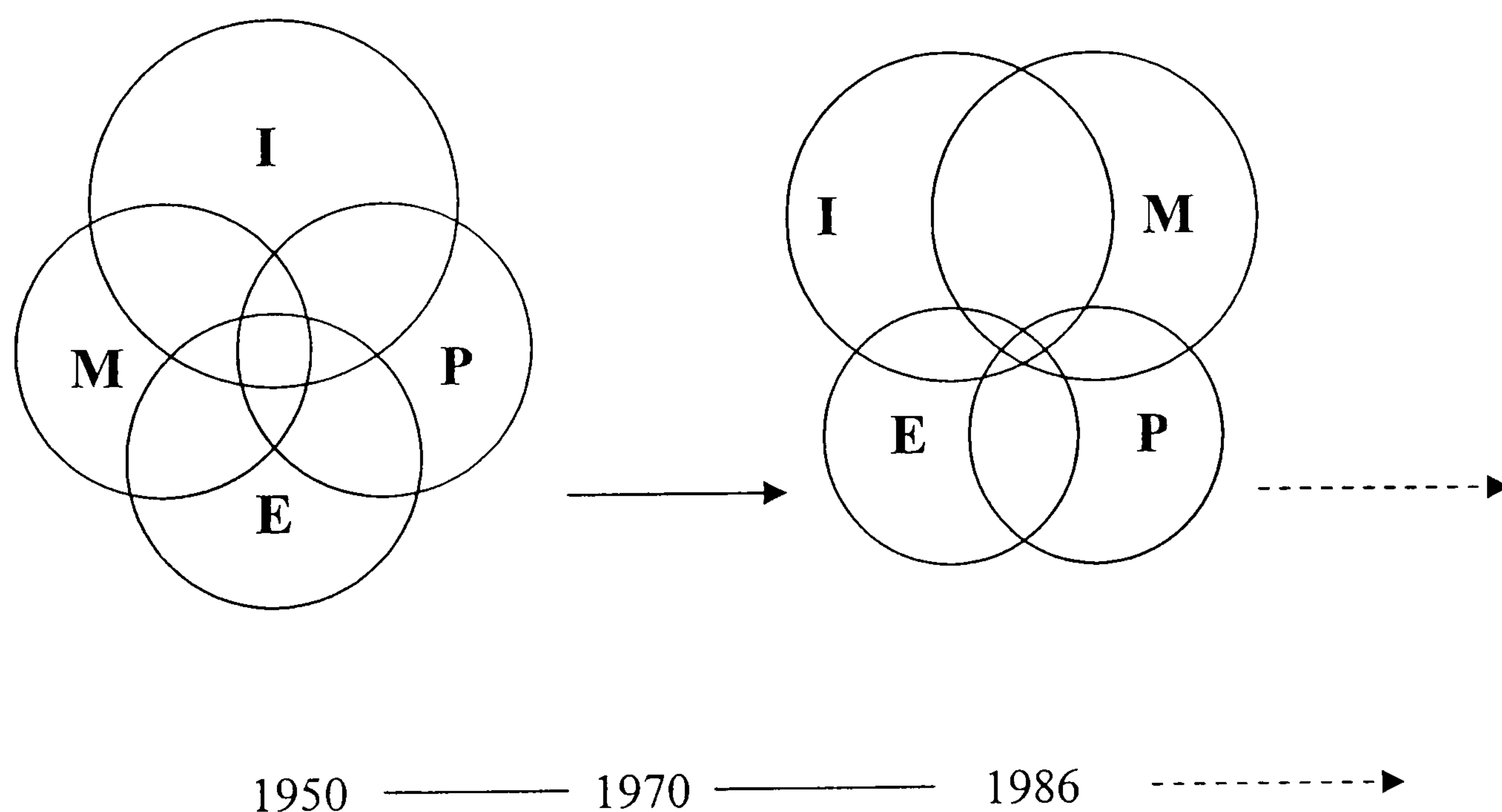


Figure- 4.2 Trajectory and Power Resources of the State in IEMP Model, 1950-1986.

<sup>131</sup> “New private firms in a wide range of new high-technology industries from telecommunication to opto-electronics and precision machinery were starting up in increasing numbers, sometimes relying on the work of government-supported research, but not directly initiated or heavily subsidized by government” (Hsueh, *et al.*, 2001: 65).



Overall, up to the late 1980s the state did play a decisive role in the economic development in Taiwan since it controlled resources, access, finance and different policy instruments to allocate and mobilize resources that the private sector needed, especially in the name of nationalism. By intensively transforming and upgrading its export items from labour-intensive products to capital and technology-intensive products, Taiwan advanced from being the 24<sup>th</sup> largest trading nation in the world in 1979 to the 12<sup>th</sup> largest by 1992 (Ravich, 2000). Figure 4.2 shows the state trajectory and its power resources in IEMP model from 1950-1986. It suggests that the ideological and military power resources of the state still remained strong through to 1986; however state's political and economic power resources had begun to decline as the concealed but resistant political and economic power resources of domestic capital developed along side the international and domestic challenges to the KMT's legitimacy.

### **Section 4.3 Development of domestic capitalism**

In the orthodox developmental states model, the domestic economic institutions and markets in the EANICs are controlled, dominated and piloted by the governments. The major assumptions include the hierarchic state-business relationship in that the dynamics of domestic enterprises were steered by the states and insulated, possibly, from the development and the dynamics of global capitalism. In other words, the operational logics and criteria of these markets are taken as divergent forms from the liberalist convergence mode. To further investigate these propositions, this section will unfold into three subsections to shed light on the state-business relationship and economic organizations; the characteristics of small and medium enterprises; and the development of domestic market and capitalism in Taiwan by 1986. By so doing, more empirical evidence will come forth to examine the propositions previously posited.

#### *4.3.1 The state-business relations and economic organizations*

The economic organizations and structures in Taiwan were complex and linked



parallel (or dual) and hierarchic economic systems. There was division between public and private enterprises. This demarcation coincided with the division between large-scale import-substituting heavy industries and small-scale export-oriented light industries. The leadership of state-owner or big enterprises were in the hands of Chinese mainlanders or those who had close relations and common interests with mainlanders; and the owners of private firms were mainly the native Taiwanese (Hamilton, 1997; McBeath, 1998; Wu, 2004).<sup>132</sup> From a commodity chain perspective, these two systems formed a hierarchic relationship that produced upstream (intermediate) and downstream products in the early decades.<sup>133</sup>

However, it should be emphasized that the state-owned enterprises and big private conglomerates did not export their products but remained domestic-market oriented. Some of these public enterprises ventured into import substitution, producing commodities and services for the domestic economy; some were designed to provide upstream products or infrastructural demands; and some were involved in heavy and military industries for developing defensive capacities. To some degree, the private sector, especially the SMEs benefited from the state-owned enterprises subsidizing the economy by maintaining low prices on upstream goods and services and supplying basic commodities and infrastructural services (Hamilton, 1997; McBeath, 2001; Wu, 2004).

It is obvious that if there were any industrial policies, they were not designed to intervene in the market order and processes of production, but to support the upstream components of industries, monopolize the raw materials and keep the rent-seeking

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<sup>132</sup> For exchanging reformed lands owned by the former landlords and compensating their 'cooperation to governmental policy', the KMT government gave these landlords many shares and bonds in four government enterprises that included Taiwan Cement, Taiwan Pulp and Paper, Taiwan Agricultural and Forest, and Taiwan Industry and Mining Cooperation (see McBeath, 2001; Hamilton, 1997). Therefore, the KMT government and these landlords were the only existent capital owners before the 1970s and the later, some of them who had the capital from the land-reformed compensation to run new enterprises became the only big private conglomerates before the 1980s.

<sup>133</sup> Except for communist countries, the KMT government monopolized the biggest share of economic resources and had the largest public sector and state-owned enterprises in the world. These were pivotal for stabilizing the domestic economy and providing the upstream and basic raw materials for the downstream and private sector by 1980 (McBeath, 1997).



advantages of specific sectors under the government control. The state-owned enterprises were organizationally decoupled from the private sector but responded to the market demands generated by the private economy (Hamilton, 1997). Any sector that enjoyed substantial economies of scale was in public hands. It is evident that the strong state which controlled resources and the resourceless private sector, especially the SMEs, developed from asymmetric starting points and distinctive directions.

By doing this, there were two advantages for the KMT to help legitimate their regime. One was that the state-owned enterprises served the private sector by undertaking research and development tasks and capital-intensive and economy-of-scale activities that were beyond the capacities of private firms. This effectively expanded the diffusion of technology and enhanced the efficiency of resource allocation. The other was that the non-profit oriented state-owned enterprises prevent the production of essential goods and services from being monopolized by private interests in order to preserve them as public goods. These two functions of the state-owned enterprises did help to stabilize the economic and social order and brought some release some of domestic political pressure and social tension in the first three decades after the KMT arrived on Taiwan.

On the other hand, unlike the biggest enterprises in South Korea and Japan which controlled the production and distribution of final export products and dominated the export sectors, the biggest businesses of Taiwan, just like the state-owned enterprises, aimed to produce intermediate goods sold domestically and be the major supplier of local services (Hamilton, Zeile & Kim, 1990; Hamilton, 1997; Wu, 2004).<sup>134</sup> Several CEOs of these enterprises represented their related businesses organizations as the members on the KMT General Committee and reflected suggestions of the businesses to the government. However, unlike the state-owned enterprises which were non-profit-oriented and established with a top-down structure, the big firms in Taiwan

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<sup>134</sup> Those private businesses normally connected closely to the government in patron-client relations and had grown large relative to other businesses and were upstream producers for the tens of thousands of small and medium-sized firms that are downstream consumers of these intermediate goods and export-oriented (Hamilton, 1997).



were a kind of product of market forces and of the demand created by the other firms. Therefore, when the state-owned enterprises began to shrink in the 1980s, these market-oriented big firms became even stronger and more internationalized, and becoming bigger conglomerates by 1990. However, even though these large business groups created market institutions and controlled economic resources, they were not the main organizational force to propel the Taiwanese economy (Hamilton, 1997).

From a more general perspective, as the domestic-oriented or import-substitution-oriented enterprises were dependent on patriarchic-relations under the protection of the state, the insulated and political-appointed economic bureaucrats found easier to enact industrial and economic strategies without domestic resistance. These policies targeted strategic industries and created an 'equitable' environment for the capital-lacking and resource-poor SMEs to compete in the market-oriented sectors and finally be internationalized in the global market. Therefore, the KMT industrial strategies at this stage could be justified by the international difficulties and domestic pressure it confronted. However, these policies brought unexpected and contingent results in the 1980s that the KMT could not prevent.

#### *4.3.2 The export-oriented small and medium enterprises*

As another facet of Taiwan's dual economic system, the Taiwanese SMEs are characterized by their loose, flexible and fragmented organizations. SMEs generally run in owner-operator modes and are owned by the indigenous Taiwanese who were excluded from the KMT position of authority (Thompson, 1996).<sup>135</sup> For the SMEs, the advantages of the state-business hierarchic relationship were that they could get some raw materials and resource at a more stabilized and lower price than on international markets. This enhanced their competitiveness in the global market. However, it also meant that the KMT's policies toward Taiwanese SMEs were totally different from those towards state-owned, big private-owned industries in strategic

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<sup>135</sup> "Given the character of Chinese-Taiwanese capital formation, there were few large industrial firms, meaning that the country's bourgeoisie was relative fragmented and wealth dispersed" (Thompson, 1996: 636).



sectors.

“In the 1960s and 1970s, under pressure from state monopolies and big firms supported by high import tariffs, small enterprises could not survive in the domestic market” (Zhang, 2003:139). The export-oriented policy provided the SMEs families owned little capital opportunities to pull themselves out of the morass of chaos and poverty (Woronoff, 1986). However, development of SMEs contributed profoundly stabilizing the economy and social order as SMEs accounted for more than 50% of total employment in 1960s and this share rose to 64% - 70% by 1990 (Ravich, 2000; Shive & Hu, 1997). These SMEs eventually also accounted for about 80% (1972) and then nearly 90% by the mid-1980s of Taiwan total exports, 65% of export earning and 65% of total business revenue (Cooper, 2003; Kubek, 1987; Ravich, 2000; Zhang, 2004). Owners of SMEs are generally Taiwanese who are sympathetic to opposition movements (Cheng, 2001). Increasing economic power raised the new emerging middle-class, giving them with more economic resources to oppose to the KMT regime.

There are four main characteristics of Taiwanese SMEs. First, Taiwanese SMEs are based on a network of personal relationships and are usually in private hands meaning management and ownership is by members from the same extended family ties. Therefore, the proprietary assets of family-owned firms are personalized. Second, these SMEs gain the access to international markets based on their competitive prices resulting from flexible networks, product combinations, methods, scale, location and efficient labour-division. However, their managerial, capital, technological resource and economic scales are limited (Orru, 1997; Wu, 2004).

Third, the government gave tax benefits to export firms in all almost sectors however it did not support the SMEs with major capital. After being expelled from most international momentary organizations, it was difficult for Taiwan to have access to international loans and aid. The government controlled the banking system and mainly allocated industrial credit and loans for the public sector and military-related agents (Smith, 2000; Yeh, 2001). Even the FDI was channeled into target sectors (see



Appendix 6-1 & 6-2. pp. 336-8). Private firms had to resort to the informal credit market, inter-firm loans or support from family savings. "By 1987, individual savings stood at 40%- the highest of any nation in the world" (Copper, 2003: 159). These individual savings through family ties or inter-firms relations provided the funds for capital investment and contributed to the economic success of the SMEs in Taiwan that create both backward and forward linkages and effects (see Luo, 1998).

However, the SMEs greatly benefited from the infrastructures, export-tax exemption and well-educated and low-waged human resources provided by the educational system. The well-educated human capital, especially science graduates channeled and encouraged by the government, is one of the major resources that make rapid economic growth possible (Copper, 2003; Mai & Shih, 2001). However, except for those by Evans (1995) and Pack (1992), few existing EANICs developmental studies focus on this point.

Fourth, the SMEs are distributed at low levels of industrial concentration but have specialized flexible dynamic and cooperative networks that enable them to efficiently produce diversified products needed by global buyers in a very short time. Cooperative ties are stably established on particularly Chinese style inter-personal trust relationships (Hsiung, 1994; Hsueh, *et al.*, 2001; Orru, 1997; Park, 2001; Schive & Hu, 2001; Wu, 2004; Zhang, 2002, 2003). The advantages of the SMEs are that they can pool the limited resources and capital of each firm to accomplish large-scale production for export. They might be weak individually, but can have strong and stable operations through the cooperative networks.

Organizationally, the SMEs structure can be seen as a system of myriad pyramid networks that intertwine with horizontal and vertical networks. Variations and cooperation between different firms and networks could be flexible vertically or horizontally reorganized case-by-case or time-by-time (*ibid.*)<sup>136</sup> Relations between

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<sup>136</sup> From the vertical and hierarchic aspect, at the base of the pyramid were a large number of family firms and cottage firms or living-room factories that employing fewer than ten people or composed of family members, if even only the single housewife (see Hsiung, 1994; Hsueh, *et al.*, 2001; Schive & Hu, 2001; Zhang, 2003) that were involved in one step of the production process and utilized relatively simple technologies. The upper-level of these base lines were firms that might produce



Taiwanese SMEs networks are generally both cooperative and competitive in the global market, and sometimes they get involved in 'cutthroat' competitiveness over price.<sup>137</sup> However, the cooperation and competitiveness between SMEs is actually a little different from the kind described in many studies in Taiwan that overvalue the role of government in steering, directing, piloting and negotiating in the development of national economy (ibid).

In fact, there was more a sense of spontaneous cooperation initiated by related SMEs according to the laws of the market, the dynamics of capitalism and the need for efficiency brought on by the changing global market (ibid). The competitiveness of Taiwanese SMEs is rooted in their ability to meet demand efficiently, operate with all the requisite flexibility and overcome the limits of scale efficiency by adjusting their methods, scales and locations. These are reflected in a number of indicators, including the high entry and exit rates and the high elasticity of factor substitution (Shive & Hu, 1997). Any mechanisms or procedures introduced by the government will find difficult to substitute for these flexible spatial-temporal relations more effectively and efficiently than the SMEs themselves. Table 4.8 evidences the vigorous productivity of the SMEs by comparing them to state-owned enterprises. Appendix 2-2(p. 330) demonstrates how Taiwan had transformed from an agrarian economy into an industrialized one by the 1980s.

In summary, the case of SMEs in Taiwan does not exactly fit in the ideal-type developmental model. However, the state did still have an important role in supporting their development. These supports were "devised to be consistent with the

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more than a single component of a large product or final production of a simple design and are that generally composed of ten to thirty members. Next followed SMEs, with thirty to one hundreds employees that produced final products and could passively be the receiver of subcontracts and directly be involved in exporting. At the top of the pyramid were the central SMEs that employed more than one hundred people and could produce finished products and deal directly with foreign buyers. These central firms also play a role in coordination, quality control, and dissemination of new information and technology to partner SMEs via external or internal subcontract relations (see Hsueh, *et al.*, 2001; Zhang, 2003).

<sup>137</sup> From the horizontal aspect, different sizes of firms can also cooperate to produce a part or a final product through subcontract relations. When one company receives an order that exceeded its capacity, it subcontracts part of the order to other firms in the same business.



principles of a market economy along with respect for private ownership. The government intervention was intended solely to make up for the inadequacies in the market mechanism” and to construct “the effective management of economic conditions and the development of more favorable conditions” (Yeh, 2001: 42). The effective implementations of these measures (state capacity) depended on the resources that the state controlled. In these circumstances, the Taiwanese SMEs grow rapidly and connected closely with the global market.

From political and ideological power resources perspectives, there was a corollary of the industrial fragmentation in SMEs faced high collective action barriers in their effort to achieve sectoral policy goals. The SMEs were also fragmented on macro-economic policies and deficient in policy-related information (Chu, 1994). “The structural and cognitive handicaps hindered collective organization in the corporate sector and undermined coherent interest formation and articulation on financial policy and liberalization”(Zhang, 2002: 429). As such, the owners of SMEs were generally the financial supporters of opposition movements. Ostensibly, they kept away from the authoritarian state and engaged in businesses; however substantially they financially support the rising oppositions as a way in advancing their interests.

#### *4.3.3 The developments of domestic market and capitalism*

When the KMT retreated to Taiwan, bringing with them a belief in charismatic dictatorship and authoritarianism, the politically protected technician-bureaucrats began to have the opportunities to test whether Dr. Sun’s doctrines could work well in practise to bring about the modernization and industrialization of China.<sup>138</sup> Because of its outsider status, the KMT state was highly autonomous of demands of submissive from industrialists and civil society, which enabled to implement land-reform and

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<sup>138</sup> The KMT’s economic principles based on Dr. Sun Yat-sen’s market socialism which is composed of “state ownership in key sectors, private ownership of land but not landlordism, development of national capital with limited private involvement in infrastructure and manufacturing” (Li, 2002: 185) and the allowance of the existence of small enterprises. Also, “there are basic three elements in Mr. Sun’s doctrine: socialism, a planned industrialization, and statism, which is based on traditional legalistic Confucianism” (Li, 2002: 185).



strategic policies effectively by tightly controlling and monopolizing on key economic resources. This form of socialist capitalism and economic nationalism was generally self-closed to focus on coordination of domestic market, whereas not on the competitiveness in the global market.

Therefore, two forms of capitalism developed along with two distinctive trajectories and logics in Taiwan by the 1980s. Socialist capitalism and statism dualistic also coexisted with the export-oriented sectors that were influenced more by global liberalism and were intimately connected with the dynamics of international commodity chains, especially US Fordist production mode. As Pack empirically evidences the entrepreneurship in a small-firm economy is the source of Taiwan's dynamic form of capitalism (Pack, 1992; Hamilton, 1997). The asymmetrical resources distribution between the public and private sectors brought in contrary consequences and their positions have reserved since the 1980s (Zhang, 2002). When the export-oriented private sectors gradually continued to accumulate capital and expand their internationalized investments, the performances of the public-owned and KMT party-owned enterprises did not have the same growth as the private sectors and began to decline in the 1980s.

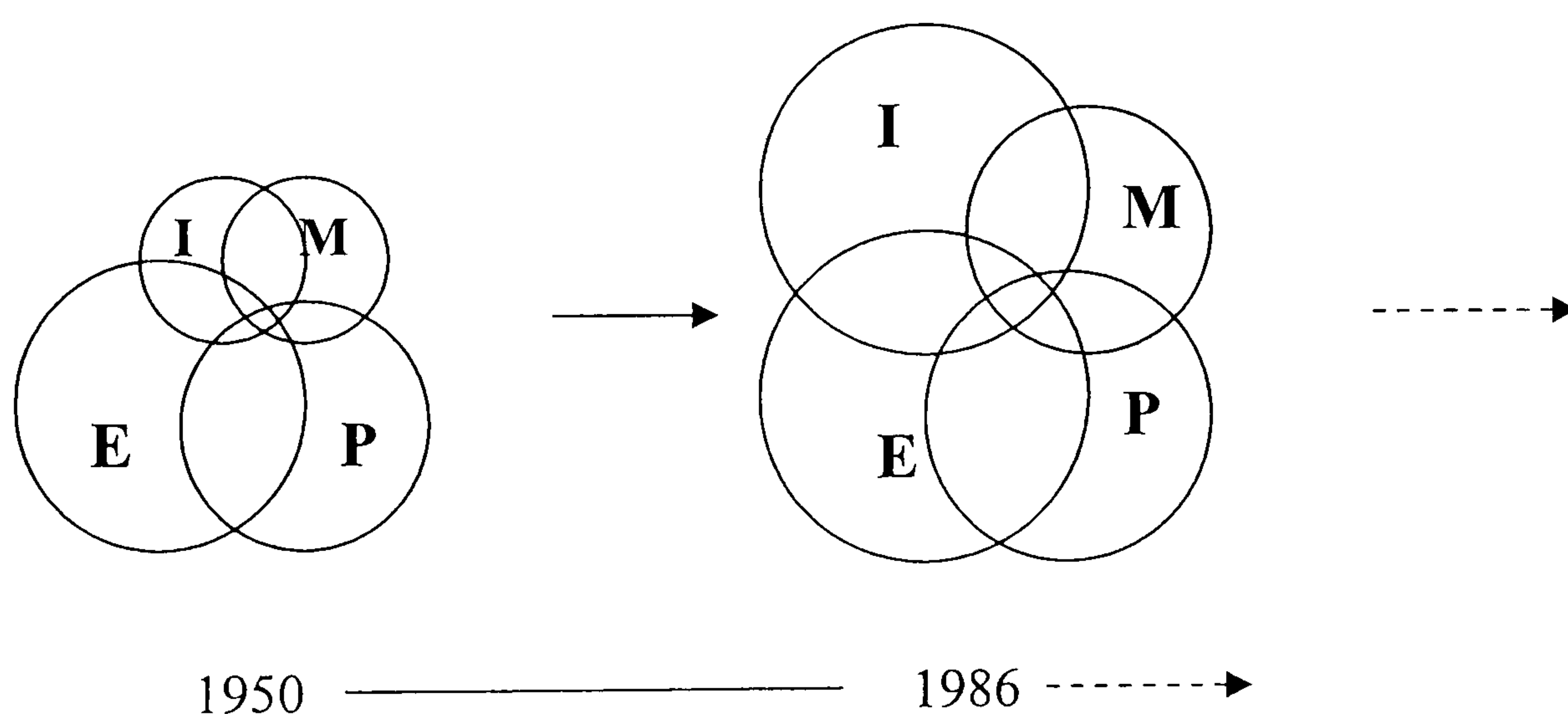


Figure-4.3 Trajectory and Power Resource of Domestic Capitalism in IEMP Model, 1950-1986.

In sum, the development of the dual capitalist system in Taiwan brought an unexpected dilemma for the KMT government in the 1980s. During the Cold-War



period, the international, geopolitical and domestic environments all provided the prerequisites for supporting the regulations and limitations set by the KMT government to constrain and govern the private sector. However, the global free-trade mechanism forced upon them by international economic organizations and US request deprived or prohibited many means usually used by developing states. Once domestic capital binds inextricably to global capital in a more free and unlimited situation, how socialist capitalism in developmental states continues to survive will need further examination. Figure 4.3 presents the trajectory and power resource of domestic capital, 1950-1986. It suggests there was increasing political, economic and ideological power resources of the private sector; however, they were still extensively constrained by the state's macro-economic policies of nationalist economy.

#### **Section 4.4 The weak and submissive civil society and its latent resistance**

##### *4.4.1 A weak civil society under the linkage between the strong state and enterprises*

After the 2-28 Incident in 1947, for most Taiwanese, “political action became a life-threatening endeavor, one in which few Taiwanese chose to participate” (Ravich, 2000: 100). Most of the populace were uneducated peasants, unskilled labourers, small business men those generally without much land or capital. However, they were still spied upon by different groups and cells in KMT-controlled associations. However, power of civil society symbiotically accumulated with the economic growth. As Cheng (2001) refers the development of civil society to have the power of checks and balances in the 1980s was a reflection of a sequence of organized reactions to the dominance of economic and political forces over the previous thirty years, and to the subsequent distortions produced by link between economics and politics. Ostensibly, it was not until the *Martial Law* was lifted in 1987, that ‘civil society’ began to be formed into more organized social groups and organizations. However, before this deregulation civil society was far weaker than the state institutions and capitalist forces; it had long existed in the “interstitial gaps” (Mann, 1986, 1993) within the strong state and in domestic enterprises.



KMT's strategies towards civil society, its ideological political, military and economic purposes were conflated into a compounded policy package with complicated mechanisms. However, there existed interstitial gaps for resistant forces to burgeon. Politically, various elections benefited the KMT regime internationally and domestically. Continuing limited local elections provided the KMT's legitimacy claims to the whole of China and built its international democratic reputation to could retain support from its western partners, especially the US. The local-level elections also created a system of highly-loyal grass-roots organizations throughout the country that drew some Taiwanese into the political system without handing over power.<sup>139</sup> Furthermore, promoting competition between the interest-seeking local factions distracted their focus to localized agendas, transformed the energy of grassroots conflict which facilitated to stabilization of the authoritarian regime.<sup>140</sup>

However, as emphasized, there were steady 25%-30% voters who voted for the non-KMT candidates or 'the opposition group' in the various polls. Thus, it would not be right to say that the political forces of civil society or democracy in Taiwan had just begun to burgeon after the lifting of the *Martial Law* in 1987 (see Chu, 1989; 1995; 1996). It would be more adequate to say that the political resistant force of the civil society continued to exist in a latent, underground and informal way at the grassroots level but was not developed or organized strongly enough to threaten or resist the dominance of the KMT regime.

Economically, as the state depended heavily on the capital that capitalists accumulated, the state's policies were prone to suppress wages in g enterprises and SMEs. The

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<sup>139</sup> These strategies did work well: since martial law prohibited any new party to be legally registered, most of the local factions chose to cooperate with the KMT to pursue limited localized interests and gain access to resources

<sup>140</sup> The local factions are motivated by their owned interests and conflict fiercely for power, interests and influence in local affairs. According to Chu Yun-han (1992), the KMT used four types of economic privileges to manage the local factions (1), regional economic activities, such as banking, credit and transport; (2), provincial-level lending activity; (3), provincial and county procurement and contracting; (4) various local level interest exchanges, from zoning manipulation to protecting underground businesses. In an agrarian society with limited information from outside, the local factions are the major controller of local-related resources and interests. Through distribution of these resources to their clients, the leaders of factions can consolidate their leading positions at the local level and retain loyalty and supports from their clients in the next elections.



low-wage policy contributed a lot to the competitiveness of Taiwanese labour-intensive products in the global market. As the private sector successfully transformed into export-oriented industries, they became sufficiently strong and autonomous enough to contend with the state and to request sharing political and economic power. As such, Taiwan is the only country in the world to experience increased economic growth after the termination of US aid (Copper, 2003).

In this scenario, civil society became more suppressed by the economic-political linkage. By the 1980s most of the employed population was engaged in export-related economic activities and rural population and households were prospered in the cottage-economy (living-room as factory) that produced the primary or intermediate products for the export-oriented factories. The boom in manufactured exports largely accounted for the acceleration in the growth rate of GNP. In the 1950s, the GNP increased at average 7.6% annually; then followed 9.6% in the 1960s; 9.7% in the 1970s and 8.7% in the 1980s (Mai & Shih, 2001). Appendix 3-2(p.337) profiles the important indicators of the Taiwanese economy, 1952-1986.

Along with economic growth, the per capita GNP dramatically leaped from US \$ 50 in 1950 to US \$ 3993 in 1986 and US \$ 7954 in 1990 (Zhang, 2003). Under the high-interest policy, the individual saving ratio (contribution to GNP) was between 28%-40% from the 1970s to the 1990s. Recursively, the capital accumulated by civil society provided the capital resources for the private SMEs through the informal curb market of finance (and through family-ties or networks). Therefore, the economic relationship between the SMEs and civil society make them survive symbiotically and resist linkage between the state and big enterprises. As such, the networks between the state and domestic enterprises in Taiwan, especially SMEs, were not as profound as is thought to be in the case of South Korea.

To maintain comparative advantages and construct an attractive investment environment, labour movements, labour unions, strikes were prohibited, wage-levels were kept low and other forms of social movement and assembly were heavily



suppressed (Bush, 2004, Chu, 1996; Huang, 1995; Roy, 2003).<sup>141</sup> The owner-operator mode of SMEs also made labour movements difficult to be organized. As such, the KMT regime supported the exclusion of organized labour from the policy-making process and prohibited any form of labour protests (Chu, 1996; Huang, 1995). Further, any dissatisfaction with the government from the mass was also prohibited. Any offense could be labeled as a variety of crimes under the headings 'anti-government' or 'alliance of communists' and sentences of around ten years from a military court were not uncommon (Bush, 2004, Roy, 2003).<sup>142</sup>

In this sense, the labouring and non-capitalist classes were politically, economically and socially exploited by the state apparatus and big private groups for the purpose of economic nationalism by depriving them of their basic rights of citizenship. Any social movements were strictly constrained under national security and ideological concerns. Moreover, the inferiority of the labourers' status intertwined with the ethnic conflicts between the mainlanders and Taiwanese. This deprivation doomed the integration of labour and opposition movements against the KMT dominance on the island and abroad (Chu, 1996; Huang, 1995).

Furthermore, the suppression of human rights evoked criticism from reformists within the KMT, the *DangWai* (opposition groups) and concerns from the US Congress (see Bush, 2004: 179-218). In fact, to consolidate the legitimacy and dominance of the KMT party-state on Taiwan, Chiang Ching-kuo chose a strategy of broadening the political status and space for Taiwanese elites and used a localized recruitment policy that brought some Taiwanese political elites important positions in the Central Governments or Provincial Government after 1972. The intention of the KMT to block the Taiwanese resistance through sharing more political power and space with the assimilated Taiwanese was quietly obvious (Roy, 2003).

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<sup>141</sup> The strategy that KMT assumed to consolidate its legitimacy after losing the diplomatic support of the US and international communities was to establish cooperation with the large private groups and expanded the political power of these capitalists in the decision-making process.

<sup>142</sup> Civil society was also closely monitored by secret military agents of the TGC under Martial Law and the threat of White Terror.



However, the overseas Taiwanese, especially those who emigrated to the US and Japan after the KMT arrived on Taiwan, were unsatisfied with the situation in Taiwan. They organized into various radical political groups and did not pass up any chance to lobby on issues of human rights and the independence of Taiwan.<sup>143</sup> That strategy of extending the domestic affairs of Taiwan into the international arena was particularly prominent when the Taiwan Relations Act was drafted in the US Congress (Bush, 2004; Hughes, 1997; Roy, 2003).<sup>144</sup> However, for the US Administration the priority of geopolitical security and stability, consolidation of the anti-communist alliance and maintenance of the US's interests in the East Asia were far more important than concerns on the human rights and democracy issues in this region (Bush, 2004; Roy, 2003).<sup>145</sup>

The Dangwai emerged in the late 1960s when they began campaign for the supplementary election for the Legislative Yuan and Provincial Assembly.<sup>146</sup> Since the KMT controlled most of mass media and published press to propagate its nationalist ideology, Chinese nationalism was the only 'legal and correct' ideological choice for the people by the 1970s. However, the DangWai activists posed an alternative- loyalty toward an ethnic community-to replace the KMT nationalist patriotism (Hughes, 1997). More appropriately, the DangWai provided a forum to express dissatisfactions about the KMT's authoritarianism. Therefore, the major themes of the opposition

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<sup>143</sup> These overseas Taiwanese groups were explicitly connected with the political opposition group in Taiwan. At the early stage, their strategies in the US or Japan were to lobby senators or congressmen or agitate public opinion through the mass media to put pressure on the respective governments to force political liberalization in Taiwan.

<sup>144</sup> It should be noted the purpose of Taiwanese immigrants in the US was to utilize political freedom as a means to the end of self-determination and independence of Taiwan. However, what the members in the US Congress were concerned about was the democratic mechanism that could ensure and improve standards of human rights in Taiwan (see Bush, 2004).

<sup>145</sup> Further, the human rights issue in Taiwan was not a severe case than the other authoritative countries, e.g. South Korea and Singapore, in this area. Therefore, there was no particular reason for the US Administration to intervene in the KMT's human rights policy, pressure on its political liberalization or suspend arms sales to Taiwan (Bush, 2004; Roy, 2003).

<sup>146</sup> The *Dangwai* originated in an alliance between various types of oppositional activists: the first was local politicians strongly dissatisfied with how the KMT distributed local resources and power; the second type was dissident intellectuals and university students who were dissatisfied with the authoritarian dominance of the KMT; the third was activists of social movements such as advocates of environmentalism, feminism, socialism, and human rights; and the fourth was the secessionists.



groups resonated strongly with the disparate forces devoted to self-determination, democracy, human rights, national identity, justice and equity and social welfare. Nonetheless, the opposition groups did not prominently pose the independence of Taiwan as a public issue at first. This implies that these opposition groups were substantially fragmented in their approaches, agendas and purposes. “The lowest common denominator uniting the old DangWai movement had in fact been no more than a shared commitment to democratic reform”(ibid: 41).

Ideologically, the KMT intensively concentrated the force of its control on its monopoly of the mass-media.<sup>147</sup> However, it paid little attention to the potential power of the little media such as magazines, videotapes and short factual documentaries recorded by camcorders, coaxial cable services and crude moveable transmission equipment (Chen, 1998; Lee, 2000; Rawnsley & Rawnsley, 2001). This policy effectively blocked any information because the government did not want the people to know any anti-government critics.<sup>148</sup> Any violations of the government regulations under the censorship laws resulted in banning or confiscating of the publications and printing equipment fines, and possible trial for the owners in a military court without legal representation. Therefore, “the opposition forces challenged the extra-legal character of the state-media clientelistic relationship as anti-constitutional” (Lee, 2000: 131).

These anti-KMT ideas were mainly spread by the underground (illegal) radio stations and magazines between Taiwanese and won many advocates who were eager to instigate political, economic and social reforms. In the early years (before the 1970s), the opposition magazines were mainly operated by mainlanders who were dissatisfied with the KMT’s authoritarian rule and the indigenous Taiwanese political elites as the

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<sup>147</sup> The KMT party-state had an “illusion of high technology” that assumes technological sophistication as a direct measure, if not the main source, of its ideological power and social impact” (Lee, 1999; 2000: 130).

<sup>148</sup> The TCG and Government Information Office (GIO) regularly checked the contents of the legal newspapers and TV programs, and suppressed illegal publications (especially magazines) which with came close to the boundaries of regulations by seizing them in the printing shops, typesetters, binders and the newspaper stands, and forbidding their distribution through the black market (Lee, 2000).



centers of organized intelligence for the opposition movement (Chen, 1998). Until the early 1980s, these magazines were organized as the major propaganda organs for the opposition and “their local distribution centers served as ‘party’ branches and subscribers were treated as potential members” (Chen, 1998:23). These magazines circulated not only in intellectual circles, but “reached downward to attract a sizable middle-class and grass-root following that yearned for more equitable power sharing and greater political participation” (Lee, 2000: 131).

Yet due to the shortage of financial support for these underground magazines, videotapes, documentaries, and illegal radio and TV stations gradually became the new alternatives of the opposition forces by the late 1980s. These illegal stations were generally equipped with inexpensive US made portable low-power transmitters with a short distance broadcasting radius and were mounted on a moving lorry in order to play hide and seek with the government and military censors.<sup>149</sup> Through these media alternatives, the opposition forces effectively sabotaged the state monopoly on media by waging electronic guerrilla war. As such, these alternative media served as a platform for the grassroots movements and purveyed anti-KMT information to the people (Lee, 2000, Roy, 2003).<sup>150</sup>

In Reus-Smit’s term (2002), the efforts made by the resistance and opposition forces re-conceptualized a vision of how a state should be and what rights people should have to the submissive civil society in Taiwan. The value of democracy and human rights incrementally became rooted in the hearts of people who were eager to be emancipated from authoritarianism. The information put out by the resistant forces broadened imagination of civil society of how ‘an ideal and democratic state’ should be had impressed the people likely to pursue. Further, through the attempt to utilize

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<sup>149</sup> Those stations were generally guarded by the volunteers for preventing police and censors break-ins. Furthermore, not only the opposition groups with definite political purposes employed with these illegal strategies, some commercial oriented private owners who wanted to break the media monopoly of KMT and preferred a Taiwanese dialect play the same games with the government too.

<sup>150</sup> They also provided a public sphere where the resistance voiced their opinions and dissatisfactions with the government, preached the ideas of democracy and welfare, and encouraged the people to resist the dominance of the KMT.



diversified communication instruments and improve the alternative media, even under the intensive censorship of the KMT government, the strategies of publishing underground magazines and waging electronic guerrilla war contributed a lot to spreading ideas of democracy and liberation to people. And last, these beliefs translated into practical actions in civil society in more organized movements and protests for more human rights (welfare and democracy). Hence, a new identity appealed to a new democratic state was burgeoning in the early 1980s.

#### 4.4.2 *The growing resistances in political combats*

When Chiang Ching-kuo assumed office as the new president in 1975, he began to understand the ROC in Taiwan faced a legitimacy crisis domestically and internationally. In order to secure the dominant position of the KMT on Taiwan, the political reform to generate a sense of progress toward democratization and the economic growth to facilitate more development and maintain full employment were impending. Chiang initiated the necessary political reforms by three major strategies.<sup>151</sup> These serial strategies aimed to promote Taiwanization (indigenization) of the KMT by sharing more power and resources with native assimilated Taiwanese than in the 1970s (Chu & Lin, 2001b). These strategies were still elite-oriented (political and economic) but not populace-oriented. Therefore, it can be inferred that, at least at that stage, the purpose of the reform strategies was flexible concession to the opposition forces to consolidate the leading position of the KMT regime but not to establish a democratic state and an institutional normalized government that should yield the ruling power of the KMT.

By the late 1970s, the opposition (*DangWai*) forces were divided into various factions.<sup>152</sup> The radical *DangWai* factions organized into the Campaign Assistance

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<sup>151</sup> The first was to hold supplementary elections for the National Assembly and Legislative Yuan; the second was to reform the party; and the third was to recruit more Taiwanese political elite into important parts into the central government.

<sup>152</sup> “One of the more important schisms was that between moderates who sought political change by working within the system (gaining access to power through winning political office) and radicals who advocated forcing the government to reform through large-scale protests and civil disobedience” (Roy, 2003: 159).



Corps in 1977, published the *Formosa Magazine* to preach their radical thought on re-construction of a new independent state in 1979, and established the *DangWai Research Association for Public Policy* in 1983.<sup>153</sup> The *DangWai* activists won some seats in different supplementary elections, but still had few seats compared to the KMT. One reason for this was that the KMT candidates benefited from structural advantages and “enjoyed the support, collective strength and coordination provided by a legal political party” (Roy, 2003: 160). The second reason was as many middle-class Taiwanese were benefiting from economic prosperity, they were prone to ensure stable political and economic environments to protect their interests. They were conservative toward radical reforms posed by the *DangWai* activists that might have brought political disorder and threatened the economic stability (see Copper, 2003; Roy, 2003). Those who voted for opposition groups were generally supporters of seeking a more innovative bureaucracy and political reform but not radicals for independence. Lastly, the opposition forces use of street demonstrations, disruptive tactics and violence hurt its image and made most Taiwanese anxious that supporting the *DangWai* would cause instability in society.

However, the legitimacy of the KMT was incrementally weakened due to the international difficulties. Some KMT local factions even began to convert into local organized forums of the *DangWai*. In 1977, some leaders of these factions and *DangWai* candidates gained posts (a total of over a 30% share of votes) in elections and won four municipal executiveships. The first campaign violence broke out in a northern county-Taoyuan when the KMT was suspected of fraud and manipulating the polls by the supporters of the independent candidate Hsu Hsin-liang in the magisterial elections. The riot erupted when the mass of protesters swelled to a ten thousand, and they began to burn the police station and police cars. This was and the first significant political rioting after the KMT’s retreat to Taiwan. The KMT was forced to announce the victory of Hsu (Chu & Lin, 2001*b*; Copper, 2003; Rigger, 1999; Roy, 2003).

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<sup>153</sup> The radicals and activists were particularly connected with and supported by the foreign independence organizations, yet they were still purpose-diversified.



Therefore, the bottom-up strategy of winning local elections to 'isolate' KMT's central government became the common acceptable option by diversified factions of the *DangWai*.

In December of 1978, there were due to be supplementary elections for the National Assembly and Legislative Yuan. However, just a few days before the elections were to be held, Jimmy Carter announced the normalization of relations with the PRC and withdrew the US's diplomatic relations with Taiwan. People on the island were shocked by this abandonment and felt betrayed by their trusted and powerful ally. "Chiang Ching-kuo cancelled the elections and placed the ROC military on a heightened state of alert" (Roy, 2003: 166) for fending off a possible invasion by the PRC. Some radical factions of the *DangWai* argued the postponement of election was unconstitutional and accused that the KMT of exploiting the crisis (Chu & Lin, 2001; Copper, 2003; Rigger, 1999, 2001; Roy, 2003). They further attempted to mobilize the public into more antigovernment street demonstrations and insisted it was a great chance for the Taiwanese to overthrow the KMT regime (ibid).<sup>154</sup>

The Kaohsiung Incident in 1979 was an important milestone for Taiwanese democratization. The organizers of *Formosa Magazine* planned a street rally in the biggest city in the southern Taiwan-Kaohsiung on the 10<sup>th</sup> of December of 1979 (International Human Rights Day). The TCG rejected their application and announced it was an illegal event.<sup>155</sup> Hundreds of policemen and civilians were injured in what came to be called the Kaohsiung Incident (or Formosa Incident). The government arrested eight leaders of the rally (the Kaohsiung Eight), charged them with the crime of sedition and sentenced them ranging from ten months to life imprisonment (ibid). After that, the KMT regime continued to negotiate with the other opposition leaders

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<sup>154</sup> These activists published the *Formosa Magazine* and established branches around the island for their 'quasi-party' and propagate antigovernment thought, denounced the government's emphasis on economic growth over social justice and human rights, and request democratic reform in the political system (Chu & Linb, 2001; Copper, 2003; Rigger, 1999, 2001; Roy, 2003).

<sup>155</sup> The rally continued the crowd grew to over thirty thousand. Scuffles and riots broke out between the participants and public security (policy and military) when the marching crowd was blocked off on the street.



and supporters and promised political and democratic reform.<sup>156</sup> But except for releasing more important positions for Taiwanese, the KMT did not respond to these challenges with immediate political reforms. It chose an alternative strategy of a more liberalized economic structure to mitigate domestic pressure. This might be part of the explanation why economic regulations were so swiftly changed in the early 1980s.

In 1986, Chiang Ching-kuo instigated three major reforms in government. The first was the reconstruction of the National Assembly and Legislative Yuan by holding orderly elections; the second was the abolishment of martial law which had a salutary effect on the exercise of civil and political rights and made Taiwan's media free from military oversight and censorship; the third was permission to establish new political parties with full legality (ibid). In spite of the reasons that pushed the KMT regime into making these concessions to the opposition forces, it was undeniable that the following elections held in the 1980s furthered Taiwan's political evolution. The nation crept from an authoritarian party-state regime toward a plural party democracy. It also evidenced that the developments of domestic capitalism and civil society had been strong and autonomous enough to resist or challenge the dominance of a monopolizing party-state.

#### *4.4.3 The implication of resistance for civil society*

In the late 1970s and 1980s, the specific spatio-temporal fixes integrated political, ideological, military and economic contingences that intertwined with various issues and appeals into a pluralistic civil society. Civil society requested more innovative reformations and emancipations. The opposition movement closely integrated with labour movements, human rights and social welfare arguments by appealing for a more just society without unbalanced development, bureaucratic corruption and inequality. Regretfully, these issues were finally simplified into an ethnic identity issue. Following the reasoning of the oppositions, the injustice and inequality of Taiwan originated in the illegal intrusion of the KMT and mainlanders. However, as

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<sup>156</sup> Chang Ching-kuo ordered to the initiation of reforms toward a more democratic mechanism and law system in order to regulate and hold orderly national elections.



Chen identifies, “ethnic conflict was a medium for the extension of civil rights, rather than for a creation of a Taiwanese state” (Chen, 1998: 15). It is exaggerated to say these resistances of civil society purported to establish an alternative Taiwanese state and identity, at least at the early stage (Roy, 2003).

At a practical level, from the support for civil society and domestic enterprises to opposition movements it can not be inferred that those concerned with human rights, democracy and social welfare provisions were also keen to propagate and accept the idea that Taiwan should be independent. It was undeniable that the opposition groups initiated these concerns about the rights of citizenship (see Pierson, 1991), and brought them into the public arena. However, the opposition groups also took advantage of this stand point to bracket all the preferences of civil society and dissatisfactions toward the KMT regime to render an ideal vision of future. From a democratic perspective, the KMT government mainly composed of mainlanders and long-standing representatives in the Legislative Yuan and Parliamentary did have the legitimacy problems. The Taiwanese inferior status in every aspect was enough to induce a forged ‘ethnic conflict’ between mainlanders and Taiwanese. But, this is not sufficient to infer that those who were dissatisfied with or opposed to the KMT’s social and human rights policies and authoritarianism were all supporters of independence of Taiwan. Therefore, the correlation between democracy and separatism needs more cautious examination and justification.

The historical contingency that brought on these phenomenon happened simultaneously. Resistance from domestic enterprises, civil society or middle class could also happened in other countries at the same stage of development. Some of salient reasons for conflicts that happened in Taiwan could be also seen in other Asian countries like South Korea, the Philippines and Japan where there were not any ethnic problems at that approximate time. At the empirical level, intermarriage between the two ethnic groups and economic success had both contributed to ameliorate Taiwanese resentment of mainlanders by 1970 (Roy, 2003). However, the spatial-temporal fixes of Taiwan allowed them to be feasibly bracketed together and to be strategically manipulated and simplified for political purpose.



At a more profound level, I will argue that phenomenon can be more adequately investigated as one of the relations between the development of capitalism and democratization in the late developing states. The dissatisfactions about the state might be a reflective convergence of resistance within society. As such, I keep a conservative perspective on many existing texts that bracket the dilemma caused by democratization and modernization with ethnic or identity issues (Chu & Lin, 1998a; Chu & Lin, 2001; Dent, 2002). The KMT did have a bad reputation on human rights, however the excellent and loyal technician bureaucrats also contributed immeasurably to Taiwan's development into a workfare state. However, history does not allow us the chance to examine what Taiwan would have been like if the KMT had not retreated to Taiwan in 1949.

Figure 4.4 epitomes the development and trajectory of IEMP power resources at the civil society level from 1950-1986. It can clearly show that civil society had accumulated far greater economic and political power in 1980s than they had in the 1950s. It implies that state's developmental strategies did contribute to improve the economic power resources of the civil society. These improvements on economic growth also enable the civil society with more power resources to support the opposition movements and bargain with the authoritarian state for more political power resources even these power resources were still confined at the local level. It also indicates that ideological power resource at this level was accumulated latently.

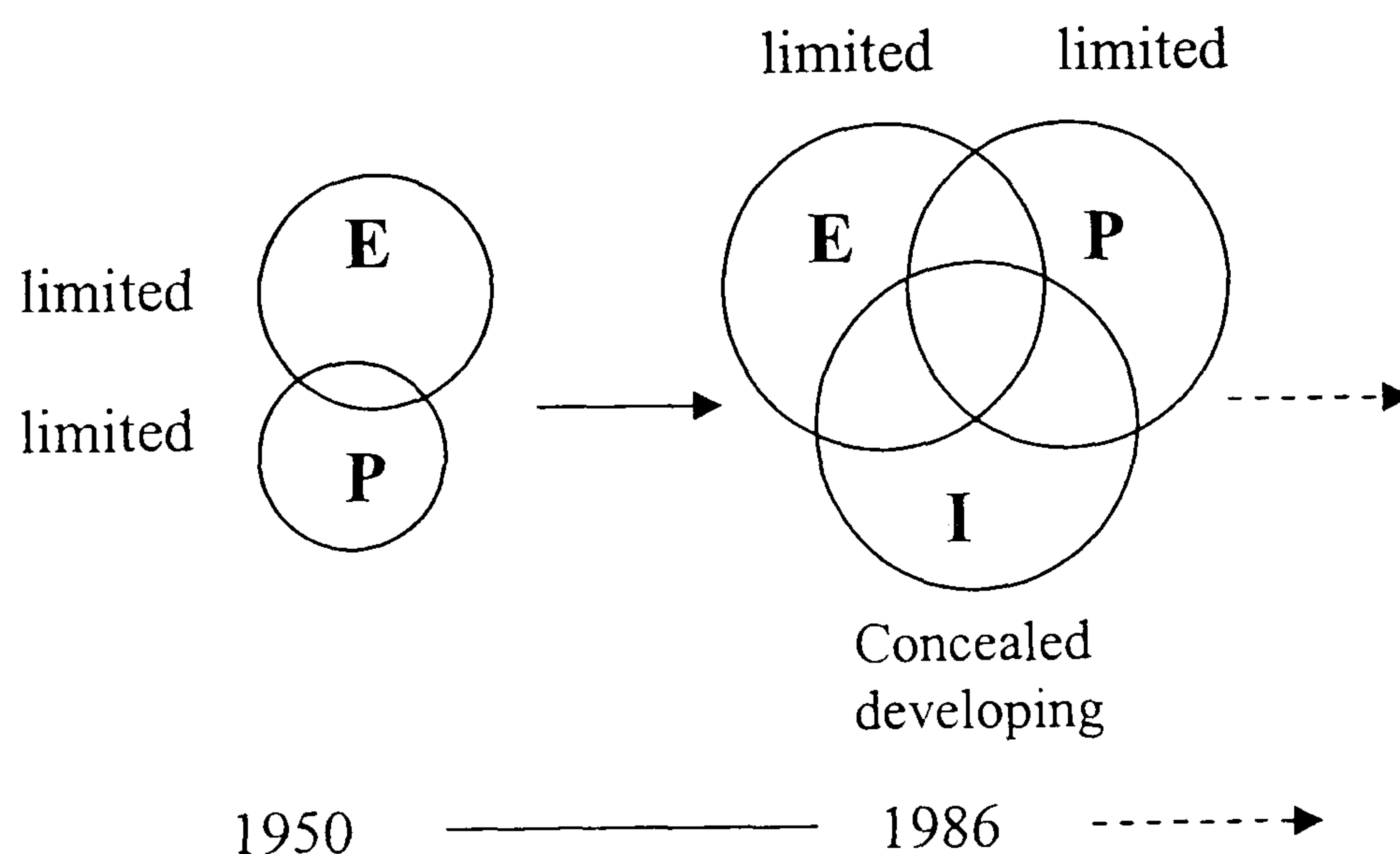


Figure-4.4 Trajectory and Power Resources of Civil Society in IEMP Model, 1950-1986.



As noted in the literature review, the superiority of Weberian bureaucracy might be caused by information asymmetry and can be seen as a management issue. The flaws of bureaucracy or human rights issues in an authoritarian state could happen or have had happened contingently in any advanced or developing countries at a similar stage as Taiwan. However, resistance and reflexivity from civil society or domestic capitalism should not be simplified into an oppositional movement to the incumbent government. The expectation of emancipation in civil society should be more objectively observed from a multi-causal and multi-dimensional perspective. From the perspective of an IEMP framework, the origins of these conflicts will be more adequately explained by the reflections and reflexivity from domestic enterprises and civil society along with their increasing autonomous power resources.

#### **Section 4.5 Concluding remarks**

This chapter investigates changes in power resources of IVs from 1950-1986 in IEMP frameworks. The evidence justifies saying that the developmental state on Taiwan was constructed on the bases of predominant controls on IEMP power resources, and the weakness of domestic private sectors and civil society. Moreover, the post war anti-communist structure provided an overarching shell to foster exportism in the EA developmental states. Therefore, the power resources of state autonomy were mainly derived from controls both on material and ideational resources. As Wu identifies it, the economic bureaucracy in Taiwan is “a world of bureaucratic politics rather than a range of monolithic institutions” (2004: 99). In this sense, the autonomy of bureaucracy was mainly endorsed by the dictatorial strongman, not from institutionalized power of administrative, judicial and political systems. With this characteristic resource of autonomy, the power origins and capacities (institutional, administrative, technical and political) of the state or bureaucrats were vulnerable. Their capacities could be efficient in a despotic environment while were not well-institutionalized and infrastructural ones.



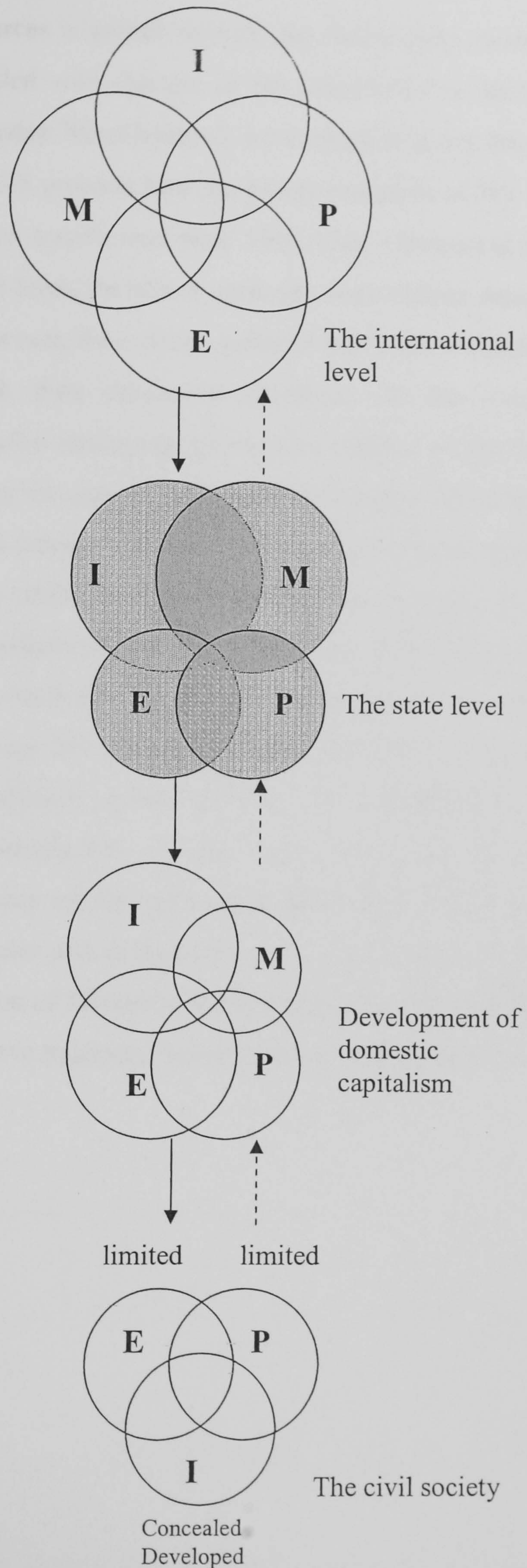


Figure- 4.5 Power Constellation of Four IVs in Taiwan in 1986

Note: 1. Shaded circles means the 'hard core' of state autonomy and capacity.

2. Dashed arrows mean 'indirect' influence; solid arrows mean 'direct' influence.



Hence, as the power resources in private sectors and civil society accumulated with autonomous strength coupled with changes of the conditional variable (diplomatic isolation and the end of Bretton Wood System), the ecological power structures had to be re-constellated. Figure 4.5 presents how the power resources of IVs changed and how the power constellation transformed from 1950-1986. Comparing to Figure 3.1 (p. 96), at the international level, the power networks constellation remained similar to that of post war era. However, the military, political and economic power networks began to strengthen with their distinctive resources. At the state level, the anti-communist and nationalist ideologies enforced by internal military controls had decreased and challenged by the opposition groups. The political and economic power also weakened as the local factions requested to share more power with the central authority and the domestic SMEs were not as disciplined as usual. At civil society level, the economic and political power resources have nurtured by the economic growth and limited local elections. The rise of opposition groups also brought a concealed developing ideology for emancipation from constraints of the authoritarian state, however it still intensively restrained under the martial law. It shows the hierarchic constellation between IVs did not change. However, the accumulated autonomous power resources of domestic capitalists and civil society began to develop their own trajectories and dynamic to resist the authoritarian state. It also means that the transformation of Taiwanese developmental state at this stage followed an incremental and cumulative trajectory, however not a revolutionary one.



## CHAPTER FIVE

### **The Changing Causal Mechanisms for a Developmental State ( I )- Resistances to the State (1987-2000)**

Drawing on the proposition that the changing distribution of autonomous power resources among the IVs in Figure 2.3 (p. 75) will cause a re-constellated power configuration with important implications for the EA developmental states, the following two chapters aim to trace changes in the power resources of the IVs and investigate the new shaping power configurations from 1987 to 2000. These observations will be investigated to establish the causal mechanisms (intervening variables) and thus infer the continuity and discontinuity of the developmental state model in Taiwan. Comparisons of the two historical sequences will be also utilized to provide more evidence for testing the hypothesis and verifying the validity of theoretical arrow-diagram.

This chapter will unfold in three sections to analyze the conditional variable-international system and an independent variable-development of domestic capitalism, from 1987 to 2000. The other two IVs (civil society and the state) will be analyzed in the following chapter. This analysis will enable me to infer the new power configuration and construct a more concrete profile of the contemporary Taiwanese developmental state. The first two sections of this chapter will in turn investigate these two variables, the international system and domestic capitalism, by providing comparable evidence comparable with that arrayed in Chapter Four. The final section of this chapter will briefly explain the multiplex IEMP powers evident in the international system and domestic capitalism and will assess impact on the developmental state of Taiwan.

#### **Section 5.1: The age of ‘the end of history’ as a macro condition variable**

This section is divided into three subsections to explore how the post Cold War international system changes in the expanded IEMP model in a brief overlook; to



investigate the implications of these changes to the EA developmental state of Taiwan; and concludes with remarks on their interactions and intersections.

#### *5.1.1. The 'turbulence' of informational globalization and the collapse of communism*

There were four ostensibly paralleled, but actually intertwined trends in the late 1980s that brought the world into a new era. First, was the end of the Bretton Woods System and the rise of the 'Washington Consensus' and the WTO regime; second, the post Cold War structure established after the collapse of the Soviet Union; third, the emergence of regionalized political-economic organizations; and the Information Age, quickened by the invention of microchip technology. These four trends have drastically transformed the IEMP power networks at the international level, and further forged a new, overarching context that impacts on the traditional boundaries of state systems. This subsection will be divided into five parts to briefly shed light on these four trends and their influences. The last part will recapitulate how the new forged international IEMP power architecture impacted on the EA developmental states as a renewed macro conditional variable.

##### 5.1.1.1. The emergences of the Washington Consensus and WTO regime

As indicated, the post-war economic collapse of advanced countries and alliances in the anti-communism bloc meant that three interdependent and interpenetrated modes of governance existed simultaneously: the mass-production and mass-consumption mode of accumulation of Atlantic Fordism; the Keynesian welfare national states of advanced countries; and the partisan democracy as an ideal type in the Western alliance. Contrasting with the communist bloc led by the former Soviet Union, these three modes constructed a post-war international 'embedded liberalism regime' (Ruggie, 1983). These preconditions at the international level had also provided the 'greenhouse' for the EA developmental states model to burgeon divergently and enabled these states to create their export-oriented mercantilist regimes.

As the advanced states recovered from post-war recessions the free flowed of capital



began to be deregulated from the government-imposed barriers. When the Bretton Woods system during the 'Golden Age' of post-war expansion ended, it was replaced by the new 'Washington Consensus' regime (see Jayasuriya, 2000; Jessop, 2000; Mastanduno, 2000; Naim, 2000).<sup>157</sup> The renewed modes on accumulation, production and free-floated financial capital facilitated by informational technology, have gradually developed beyond parameters that the state can comprehensively control (Jessop, 1999, 2000). Moreover, the Washington Consensus was embodied through various 'one size fits all' strategies and prescriptions, and enshrined and enforced simultaneously by the IMF, World Bank and WTO organizations and various U.S. dominated regional trade and investment groupings such as the Asia-Pacific Economic Cooperation (APEC) forum and the North American Free Trade Agreement (NAFTA).

The four Asian developmental states were excluded from the generalized system of preference (GSP) treatment by developed countries in 1989. Consequently, the 'super 301' clause in the US Trade Act of 1988 forced them to liberalize their domestic market and fair trade relations. Their halcyon days were over (Li, 2002). Henceforth, MNEs and cross border capital mainly based in advanced economies began to be deregulated from the constraints and disciplines of national security concerns and began to pursue interests of their own. Under these contextual changes, the scope for small-size EA developmental states to control and allocate resources shrunk greatly.

#### 5.1.1.2 US politico-military unilateralism in Asia Pacific and the rise of China

The end of the Cold War made a sound claim for the death of communism and supported the ideological triumph of democracy and capitalism claimed by the US for decades. As the U.S. become free from the bipolar struggle and military rivalry with the former Soviet Union, it was transformed into sole superpower in the world and began to enjoy a much larger margin of unilateral superiority and hegemony,

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<sup>157</sup> The so-called Washington Consensus appealed to 'facilitate and improve' fairness and the well-being of the whole human-race and the full benefits of integration for the global economy (see Jayasuriya, 2000; Jessop, 2000; Mastanduno, 2000; Naim, 2000).



politico-militarily and to a lesser degree economically, all the other powers than any leading state in the last two centuries (Mastanduno, 2000; Wohlforth, 1999).<sup>158</sup> The goal of preventing other states from challenging the preeminent position of the US was embodied by a series of policies of ‘collective self-defense, engagement and enlargement, and multilateral security’ equipped and directed by the ideological idealism of ‘three pillars of economy, security and democracy’ during the 1990s, or at least, during the Clinton Administration (Nye, 1995).<sup>159</sup>

To preserve its dominant position in the Asia-Pacific region and to play the unipolar role of preserve of the status quo, the optimal interest of the US in this region is to avoid any military conflict or economic instability. It attempted to convince or ‘temp’ its ‘offshore balancers’ e.g. China, Japan and South Korea to accept its dominance and then give the US a prominent role as a Pacific power (Mastanduno, 2000).<sup>160</sup> Hence, the US’s core strategy around this region is to ensure and consolidate the maintenance and management of the “fan spread wide architecture of security alliances” (Baker, 1991:11) established in the Cold War; further it attempted to engage and integrate Russia and China into the practices and institutions of a U.S.-centered international order.

In this new order, the U.S. began to sensitize the threat that the rise of China could challenge to its *status quo* power and privileges as a unipolar actor in this region since

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<sup>158</sup> As Mastanduno indicates that the “US preponderance in military and economic capabilities has been complemented by a hegemonic grand strategy after the Cold War” (Mastanduno, 2000: 505).

<sup>159</sup> The priority of US post-Cold War diplomacy and strategy was dedicated to preservation of its preeminent power position as a center of international order, and to preclude the emergence of any future global competitor (New York Times, 1992 cited in Mastanduno, 2000).

<sup>160</sup> The US grand strategies in the Asia Pacific region are to foster and maintain its *status quo* power through various bilateral agreements and Asia Pacific Economic Cooperation (APEC) for maintenance of its security commitments and shared economic interests. The “fan spread wide” (Baker, 1991: 4) architecture, based in North America and radiating across the Pacific has constituted an informal but highly effective security structure. According to Baker, the former secretary of the state, the central support of this architecture is the U.S.-Japan alliance and extends from north to south and includes alliances with South Korea, the Association of Southeast Asia (ASEAN) countries, Philippines, Thailand, and Australia (Baker, 1991). The security strategies also extended more southeast forward to lie in a special relationship to deal with conflict between India and Pakistan and instability in Indonesia (Mastanduno, 2000), and are also involved in Taiwan/Tiber/Xinjing issues that caused intension between the U.S. and China.



the second half of the 1980s (see Qingguo, 2005).<sup>161</sup> Hence, for constraining threats from the rise of China, the US's China policy developed into one of twofold "constraint" (Gaddis, 1982; Segal, 1995). On the one hand, it broadens the scope of full engagement with China in various arenas according to the 'three pillars' dedication; on the other hand, it attempts to integrate China as a member of international organizations in order to contain the behavior of China under the regulations and limitations of various international regimes (ibid). Hence, the Clinton's Administration attempt to divide the ideology-politico-military and economic contacts with China. Their attempts to construct a comprehensive relationship with China all evidenced disparate trends in the global economy and politico- military-ideology (ibid).

The rise of China makes it no more an 'uncertain or undecided' state in terms of the *status quo* of international relations but gives it the role of revisionist, at least from the US's perspective.<sup>162</sup> Furthermore, the US often acts with the perceived arrogance of a *status quo* power which it demonstrates by dictating policies rather than consulting and its habit of imposing its values and preaching its virtues in this region have created some backlashes and anti-American sentiment and tension especially after the Asian financial crisis in 1997 (Sum, 2003).<sup>163</sup> Therefore, the quadrangular relations between the US, China, Japan and ASEAN have become pivotal to the security and economic stability in the Asian-Pacific region. Hence, the relationship between the global economy and politico-military-ideology at the international level seem to follow disparate trajectories. The global economy is no more subordinated to trajectories of ideological and politic-military power as in Cold War. This suggests that the US divergent on economic and politico-military policies were seated more in realist calculations than in ideological flexibility.

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<sup>161</sup> Even though it had placed itself squarely at the centers of the search for solutions to stabilize the security and economic orders that fit in its interests, however the sense of threat from China is stronger than ever before.

<sup>162</sup> For preventing the challenges from China, the US attempted to consolidate its predominance through various alliances (economy, political or military) or renew the established ones.

<sup>163</sup> These anti-American sentiments also encourage more new emerging regional organizations to gather into various forms of blocs according to their geo-economic interests.



### 5.1.1.3 The coupling of globalization and regionalization

The changing nature of the global economy provides the structural context for proximate states to solve the common problems they confront by collective action (Bernard, 1996; Higgott, 1999).<sup>164</sup> The emerging regionalization is seen “as an integral part of the broader globalization of production structures” (Bernard, 1996: 653).<sup>165</sup> However, the newly forming regional organizations are generally geo-economy directed and engage in dealing with economic activities and cooperation compared to the politico-security directed ones established during the Cold War. This implies that the considerations of geo-economic interests have gradually overrun those stably established geo-political ones in the post Cold War era, at least within the largest three trade pillars-North America, European region and the East Asian NIEs (see Bernard, 1996). Despite disparities between the historical origins and motivations of their members, agreements to forge a ‘closed or open regionalism’ to enhance economic interests or national security are common visions (Higgott, 1999).

As Higgott indicates, the Asian NIEs will benefit from the ‘opened’ type regionalism rather than the ‘closed’ one of the European Single Market Programme (Higgott, 1999).<sup>166</sup> In addition, as the Asian states developed in a product cycle the flying geese model, the integration of their hierarchic labour divisions not only complement each other but also maximize their world market share (Bernard, 1996). Moreover, the states in the East Asia are also competitors for the flows of FDI from the advanced countries, and simultaneously are the donors of intra-regional outward FDI (see Higgott, 1999; Dicken & Yeung, 1999). Japan, South Korea and Taiwan in particular

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<sup>164</sup> Hence, it is the historicity and spaciality that brought the states with diverse social forms and divergent political economies into a variegated region where all the members can benefit from regional economic integration and cooperation (Bernard, 1996; Higgott, 1999).

<sup>165</sup> The emerging importance of regional organizations e.g. the European Union, EAEC (ASEAN plus Japan, South Korea and the PRC), APEC, NAFTA gradually became a salient by-product of globalized economy.

<sup>166</sup> Since the production regimes and developmental strategies of Asian countries generally diverged from the liberal market mode and followed a similar path-dependent export-directed approach compounded with convergences of their policies, institutions and state-society networks (Higgott, 1999).



contributed more than 40 percent of the total outward FDI stocks and became the major FDI source in the Southeast Asian region by the mid-1990s (Higgott, 1999; Dicken & Yeung, 1999). Even though globalization is a stronger structural force than regionalization is the Asian firms are generally more regionalizing compared to the globalizing firms in western countries (Diken & Yeung, 1999).<sup>167</sup> Hence, a policy commitment to market-led open regionalism and interests is a widely accepted ideology among the policy making elites and actors who engaged in the definition of regional identities and make proposals for solutions (Bernard, 1996; Higgott, 1999).

#### 5.1.1.4 The Information Age and IT revolution

The coming of the Information Age and the related inventions of the microchip and information high technology has brought enormous challenges to the traditional roles and boundaries of Westernphlia states. The spread of the Internet and the world-wide-web makes transmission of large amount of information and knowledge to any place or country possible in seconds. The rise of NGOs, international civil society and movements, and growing access to communication technology, information and knowledge (especial through the Internet) all help to emancipate behavior, and even the ideology of human beings (Orits & Evans, 2003). As the dominant logic of informationalism has penetrated life styles of our ordinary lives, ideological pluralism become an imperative consequence.

As Castells asserts, the mother of all networks-the global financial network facilitated by the informationalism has formed an era of informational capitalism with free flows of information and capital which impact drastically on the orthodox roles and boundaries of the state (Castells, 1996, 1997, 1998).<sup>168</sup> Therefore, it could be possible

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<sup>167</sup> The internationalization experiences and capacities of multinational enterprises (MNEs) in the Western countries to organize production networks are far beyond the Asian ones. Further, more Asian firms are used to operating in a regional scale and are more embedded in the social and institutional contexts of the Asian regional economy (Diken & Yeung, 1999).

<sup>168</sup> The dual-use technologies associated with the information revolution and Revolution in Military Affairs were also led and dominated by the U.S. for preserving its both military and economic pre-eminences in the world (Mastanduno, 2000; Nye& Owens, 1996). However, as an emancipatory power of freeing from constrains on human behavior and societies, the development of informationalism could be propelling us toward a contingent approach that no one can predict.



for IT informationalism to become a new 'religious' force that can concurrently operate with intangible, diffusive and collective powers to alter the forms of the tangible or intangible institutions of the military, politics and economy in every society.

The information age facilitate ideological pluralism and emancipation in the developmental states. Communications between domestic agencies and international agencies are extensively liberalized by technology. Domestic capitalist and civil society are no longer confined within a nationalist enclave. Therefore, it also transforms the self-closed modes of developmental states into a more pluralistic society.

#### 5.1.1.5 Recapitulating the post-Cold War international IEMP power networks

In sum, by recapitulating the macro trends at the international level, it can be seen that the collapse of 'embedded liberalism' constructed by the combinations of the Bretton Woods monetary system and the GATT trade regime preceded the collapse of communist bloc since 1989. Further, more Atlantic Fordism and Keynesian capitalism also yielded positions to a post- Fordism productions mode. However, the GATT trade regime was preserved and further expanded. Particularly, prior to the 'formally' rise of the Washington Consensus and WTO regime in 1990s followed a chronological sequence of discoveries on economic orthodoxy, institutions, globalization and the rediscovery of underdevelopment (see Ham, 2000).<sup>169</sup> That implies the accumulation model and production mode of capitalism had gone beyond the concern of geopolitical strategies (Jessop, 2000).

The post-war East-West bilateral rivalry provided the origins to facilitate the export-led EA developmental states to stay in the capitalist camp. The growth of this productive model fell in with excess investment to create excess capacity in a

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<sup>169</sup> With the GATT regime, the capitalist countries actively pursued a more liberal trade regime by various bilateral and multilateral agreements.



divergent mode of capitalism that depends on an enormous market to absorb exports. However, since the 1980s the manufacturing output in this region has grown too large for the US to possibly absorb and the door of opportunity gradually closed when GSP was cancelled (Li, 2002).<sup>170</sup> In the second half of 1980s, politico-military stability in the Pacific region provided the US the chance to impose less constraints on U.S. economic policy and afforded it more room to request access to domestic markets in these East Asian economies.<sup>171</sup> Accordingly, the US post-Cold War security and economic strategies diverged (Mastanduno, 1997, 2000).<sup>172</sup>

Therefore, deregulations on flow of capital and information cast more challenges on the EA developmental states than on Western advanced countries in three ways. Firstly, the major strategies and policies of the EA developmental states heavily depended on resource control and various means of policies and institutions that strictly regulated capital flows and tariffs. However, under WTO regulations, these barriers all have to be gradually lifted. The sharp claws of these export-oriented 'tigers' were being pared. Secondly, following the deregulations of capital, materials and technology, the states no longer monopolize these resource but the outward private companies that have developed and organized according to market dictums are no longer subject to strict discipline by the state. Thirdly, social mobilization and nationalist ideology in the EA developmental states were constructed through the monopoly and dominance of the mass media that controlled flows of information and knowledge. In other words, free trade regimes, deregulations on capital flows and information facilitated by IT made the implementation of the developmental strategies increasingly problematic. As a condition variable of the EA developmental states

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<sup>170</sup> Under pressures from long-standing demands of its home-based firms, the US is no more willing to act as the guarantor of the region's economic system and as the last 'voluntary' destination of their productions. Furthermore, the US budget deficits and trade imbalances with East Asia countries led to domestic pressure within the U.S. for a more 'fair' trade and 'symmetrical' market relationships with the Asian countries.

<sup>171</sup> However, the rise of China has provoked the US to place greater weight on traditional security concerns and the overall stability of the world economy in the second half of the 1990s.

<sup>172</sup> According to Mastanduno, US security strategies mainly followed the principles of balance-of-threat theory by strengthening and expanding security alliances, while economic strategy has followed the disciplines of balance-of-power theory to ensure the fairness, benefits and competitiveness of American enterprises (see Mastanduno, 1997, 2000) in the global market.



model, changes at international level have clashed with their external (international) prerequisites.

At a more profound level, the IEMP power networks at the international level have drastically transformed under the new global trends. The ideological and capitalist powers are no more subordinated to the political and military forces as during the Cold War period. Furthermore, with emancipation from constraints structured by international political and military rivalries led by the states system, capitalist development and pluralistic ideologies have gained ground.<sup>173</sup> From a power resources distribution perspective we can see that economic and ideological forces are no longer closely controlled in an inter-state system. Instead we can see an emerging global economy marked by partially autonomous power resources that follow their own distinctive dynamics in more contingent trajectories than in Cold War.

### *5.1.2. Locating Taiwan in the Post-Cold War International Order*

The new Post-Cold War international contexts impact on the original prerequisites of the state-centered EA developmental states. The remaining of this subsection aims to explore how changes at the international level impact on the Taiwanese developmental state and how Taiwan reflects these changes.

#### *5.1.2.1. Challenges from liberalization on trade and finance sectors*

Benefiting from embedded liberalism and state protectionism, Taiwan has prospered becoming the world's seventeenth largest economy in 2000 (Dent, 2002). The growth in the economy advanced an industrial structure that produces high-technology and high-valued products and is integrated extensively with the global knowledge-driven production networks (see Henderson *et al*, 2002).<sup>174</sup> In the newly

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<sup>173</sup> Hence, even though the concurrent prevailing idealism and values concerning the global liberalized economy, democracy and informationalism were mainly propagated and dominated by the Western countries, especially the US, however trends developed far beyond the predictions and controls of these countries.

<sup>174</sup> There are far greater complexities and geographical variations in the contemporary global



forming production system, “the flows of materials, semi-finished products, design production, financial and marketing services are organized vertically, horizontally and diagonally in complex and dynamic configurations” (Henderson *et al.*, 2002: 444). Table 5.1 presents a brief summary on Taiwan’s national production frontiers and the global trade and financial regimes from 1970-2000.

Table 5.1 clearly shows that the goods, mostly produced by the SMEs, are closely integrated with the evolution of informationalism and the global knowledge-driven economy. Except for TFT-LCD monitor and IT micro-chip (include submicron chips) technology which were initiated and funded by state laboratories and then transferred to private hands for mass production, none of the other items were researched, pioneered, directed by the government (Hsueh, *et al.*, 2001; Li, 2001).<sup>175</sup> This achievement demonstrates that Taiwan was able to adapt, in some areas thrive, in a more liberalized global trade regime.

From the trade policy perspective, both of global market and domestic production networks are essentially dynamic but not static. The government of Taiwan did well to utilize international pressure as a means to liberalize its industrialized sectors with confidence in a gradual way in early the 1980s. Under the pressure from the US, the KMT promised to liberalize Taiwan’s domestic market (include the service sectors) through various means of tariff deductions, cancel import barriers. Exposures in the competitive international market without specific subsidies and protections have effectively enhanced the robustness of the export sectors since the 1980s (Hsu & Perkins, 2001; Li, 2001).

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production networks than vertical or linear ones in the Fordist assemblies.

<sup>175</sup> There are some empirical studies focus that on the IT and semi-conductor industries of Taiwan as followed: Ki, K-T., 1995; Rosecrance R., 1999; Hong, S., 1997; Poon T., 2002; Chen T., & Lee J.(ed.), 2004; Braudo, R. & MacIntosh J., 1999; Addison C., 2000; Pietrobelli C., & Guerrieri P., 2001; Tsai K., & Wang J., 2002; Mathew J., & Cho D., 2000.



Table-5.1 National production frontiers, finance and global regimes or regulation

Period	1970s	1980s	1990s	2000s
International Regime/ Mode of capitalism	Embedded liberalism-Post Bretton Woods / Fordist capitalism /Cold War	Embedded liberalism-Post Bretton Woods / Fordist capitalism /Cold War	Washington Consensus/ GATT/Post Cold War/ Regionalization/ Informalism	WTO/ The rise of China
Mode of financial resources (Taiwan)	Scarce domestic capital regulated and controlled by the state	Scarce domestic capital regulated and controlled by the state/ Began capital outward investment/ liberalize the stock market for domestic capital	Limited liberalization on international financial resources/ FDI in specific productions/ limited deregulation of domestic bank system	Liberalization of both international and domestic capital flows except to China
Major Policies	Tariff protectionism Exported-oriented Key resources controlled by state enterprises	Tariff protectionism Export-oriented Key resources controlled by state enterprises	1. R&D supports 2. Liberalized most domestic market to global market, except China.	1. R&D supports 2. Liberalized most domestic market to global market, except China.
Items of Largest production in the global market	1. Shoeware 2. Lampdecoration 3. Fans 4. Ship dismantling	1. Shoeware 2. cap screws 3. Bicycles 4. Sewing machines 5. Umbrellas 6. Caps 7. Tennis equipment	1. Cap Screws 2. Bicycles 3. Personal PCs 4. Scanners 5. PC Monitors 6. CPUs 7. Mouse & Key boards 8. Electrical appliances	1. CapScrews 2. Bicycles 3. Micro-Chips 4. Silicon Wafers 5. Appliances for wireless network 6. Fiber Optic Cables 7. Laptops 8. LCD monitors
Locations of productions made	Taiwan (diffusive factories allied with family factories.	Factories clustered in definite areas in Taiwan	Designed in Taiwan/ Made in China or South-east Asia	Semi-finished or finished in China/ designed and finished in Taiwan

Source: Trade Statistic, various issues. Static Bureau of Foreign Trade, MOEA (The exporting items).

Interestingly, in different surveys conducted by two international organizations, the International Institute for Management Development (IMD) in Lausanne and The World Economic Forum (WEF), that evaluated national competitiveness and indicated the competitiveness of Taiwanese private sector and non-government categories in the



1990s was lauded. However, government-related categories such as state capacity, institutions and infrastructure were not rated particularly well or were even worse compared to advanced states or other East Asian states.<sup>176</sup> However, Taiwan prospered as a result of high economic growth (approx 6-7% annually) through the whole 1990s. The overall competitiveness of Taiwan in the global market was ranked as 4th (see WEF, 1999) and 18<sup>th</sup> (see IMD, 1999) (Hsiao & Hsiao, 2002). For the Taiwanese developmental state, there are three profound implications in the WEF and IMD reports. First, as a whole, Taiwan has benefited from the increasing liberal global economy. The forces of the global production regime did not cause too much trouble to Taiwan's advanced and competitive private sectors. The competitiveness of the export sector allowed it to still survive robustly without any tariff protections in the global market. Second, the performance of the state bureaucracy and institutions did not yield much positive contribution to the private sector and their global competitiveness. Third, the presumption about the superiority of bureaucracy as the major dynamic resource of the EA developmental states model seems has become less valid since the 1990s (Riain, 2000).

From the financial regulations perspective, the strategies Taiwan chose seem to have been more conservative than the trade strategy. The government still held a tightly grip and intervened in the financial sectors until the early 1990s. Many revisionists of statism credit the state's strict monitoring and regulating of financial and monetary sectors as being what steered Taiwan to paddle safely through the Asian crisis in 1997 (Chu, 1999; Schive, 1999; Weiss, 2000). They also argued the importance of financial control and dominance for Taiwan to transform itself into an 'interdependent governance' model (Thurbon, 2001; Thurbon & Weiss, 2006; Weiss, 2000). However, I uphold it was the political concern for consolidating the interests and power of the ruling KMT that led to the divergent policies for the trade and financial sectors.

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<sup>176</sup> Available on <http://www.erforum.org/en/index.htm>; and [http://www.imd.ch/research/publications/wyc/competitiveness\\_scoreboard](http://www.imd.ch/research/publications/wyc/competitiveness_scoreboard).



In the late 1990s, the high ratio of non-performing loans caused by low transparency in the local financial institutions undermined the state's capacities to maintain even ordinary operations (Kong, 2004; Underhill & Zhang, 2005).<sup>177</sup> This demonstrates that the domestic financial mechanisms in Taiwan were not well institutionalized in its state-centric legacy.<sup>178</sup> Moreover, controls over capital resources were aimed to prolong the state's (party-led) domestic dominance. As such, the financial conservatism of the 1990s should be observed as a form of political calculation. The real reasons why Taiwan could tide over the financial crisis in 1997 were more to do with its abundant foreign exchange reserves, its large current account surplus and the robust competitiveness of export-directed SMEs than to do with any legacy of state management of its financial system (Hsueh *et al*, 2001; Underhill & Zhang, 2005). Without these backup resources in the private sectors, it would have been impossible for the state to effectively paddle through this crisis only by means of policy regulations (re-regulations).

Hence, the liberalization of the trade and financial sectors to the EA developmental states are trade-off options. In the case of Taiwan, I argue that insufficient infrastructure, immature institutional arrangement and a shortage of informational transparency in the financial sectors all allowed the state to continue its 'heavy hand' in the financial sector. Furthermore the intention to prolong control over the domestic financial market as means for elections and private interests postponed the KMT government's liberalization of its financial sector. However, Taiwan's entry to the WTO at the end of 2000 demanded more deregulation and liberalization of capital and trade barriers. In both trade and financial realms, the performance of the private sector demonstrates its higher efficiency in term of globalization than the state.

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<sup>177</sup> Moreover, the privately owned credits cooperative and various farmers and fishermen's associations at the local level were periodically used to finance local elections and businesses of personal kinship or organized crime ties for their power expansion after the second half of the 1980s.

<sup>178</sup> Hence, it will be risky to the openness of financial market that may cause their bankruptcies which might cause social instability.



### 5.1.2.2. An attempt to invigorate 'economic nationalism' in cross-strait rivalry

After China announced its 'open door' policy in 1979, geo-politics and geo-economics in the Pacific Region ostensibly began to follow disparate trajectories than under US leadership. From a geo-economic perspective, the emergence of 'Triangle Economies' (Greater China Circle Economies) composed of China, Hong Kong and Taiwan have turned this into one of the most economically flourishing regions on the globe. As we shall see the forces and interests of these economic integrations are far beyond what any of the governments involved can control alone, especially the government of Taiwan, which is excluded from most international and regional organizations (Cheng, 2005; Leng, 2002; Lin & Lin, 2001).<sup>179</sup> Efficiency and strategies employing cooperation and competition between enterprises in the global market are the forte of the private sector. However, the special relationship between Taiwan and China make their economic integration a particularly salient case to evidence the disparate dynamics between socio-economic and political forces.

In the first half of the 1980s, as with the other EANICs, Taiwan had been a capital-outward state as the SMEs began to establish their overseas offshore plants in other Asian states as wages and costs rose in Taiwan. However, investments in mainland China were inhibited until 1991 (Cheng, 2005; Leng, 2002; Thurbon & Weiss, 2006). Even when the outward FDI constraints were consequently lifted in 1991, to ensure both economic and political security and prevent the 'hollowing out effect',<sup>180</sup> the government of Taiwan strictly regulated private FDI to China (Cheng, 2005; Leng, 2002; Thurbon & Weiss, 2006).<sup>181</sup> As such, an increasing number of

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<sup>179</sup> The Triangle Economies are different in their stages of economic development, governance modes and political systems. The main forces of their economic integrations are based on reciprocal, complementary resources and production modes unlike the European Monetary Union formed originally by members with geographical proximity, similar stages of economic development and substantial volume of inter-regional trade. Moreover, they all purported to enlarge market size, enhance economic efficiency and economies of scale by means of policy coordination and political commitment (Lin & Lin, 2002).

<sup>180</sup> In this thesis, the term 'hollowing out effect' does not set out from any academic definition. It is an official term used in many official documents and speeches of President Lee. It is cited as a practical description by the government of Taiwan.

<sup>181</sup> Taiwan government set a ceiling of US\$ 50million FDI per project and put sanctions on indirect investment in China. However, Taiwanese investments have not been affected by the present ceiling



SMEs and big enterprises registered their firms in tax-free zones such as Hong Kong, the US, Virgins Island, Cayman Islands and British tax-free zones as a third party to facilitate indirectly investing and conducting business in mainland China (see Appendix 7-2, p346 and Cheng, 2005; Leng, 2004).

Entry into the WTO made the capital flow of any particular enterprise or individual more difficult to macro-manage and control. The attempt to limit high-tech and infrastructure investments in mainland China seemed in vain. Taiwan's trade surplus with mainland China as a ratio of its global trade surplus increased significantly, from 3% in 1982, 5% in 1987, 100% in 1992 to 226% in 2000(Cheng, 2005; Chu, 1999; Leng, 2002; Tung, 2002). By 1993, China had replaced the US as being Taiwan's biggest export destination (see Appendix 4-1 & 4-2, pp.338-9). This also meant that without the huge trade surplus with Mainland China, Taiwan's international trade balance would have been in deficit.<sup>182</sup> Obviously, the economic interdependence and integration of Taiwan and mainland China was too large to be neglected or constrained by both governments, even taking into account the politico-military hostility. In the particular case of Taiwan, even counter to the policies of the state, many private sectors expanded their offshore plants in China and made still greater profits.<sup>183</sup> State intervention was no more an effective means to constrain enterprises.

From the perspective of geo-politics, the US interests in Asia Pacific are best served if the status quo is not disturbed.<sup>184</sup> The US 'three pillars policy' in the Clinton

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and various sanctions at all.

<sup>182</sup> A significant amount of this bilateral trade (through Hong Kong) was contributed by the 'inter-and intra-industry firm' trade that resulted from Taiwanese FDI in Mainland China rather than true commodity trade. Taiwanese exports of equipment, semi-finished materials, skills, technology and management personnel support their own enterprises or partners on mainland China, hence, they also contribute a large part of China's trade surplus with the US, Japan and European countries.

<sup>183</sup> According to a survey conducted by Zhongguo Shibao on 3 Dec.2000 that 57.5% of Taiwanese firms on mainland China are profitable, and only 8.6% of those anticipate a loss in 2001. Only 4.2% of Taiwanese enterprises considered decreasing or withdrawing investments from mainland China.

<sup>184</sup> China, as one of the permanent member of the UN Security Council with veto power that has long rejected the use of force in international affairs and as it has vast potential markets for US businesses, the most vital strategic interests for the US are to ensure China's cooperation with top US priorities and to keep of its market open.



Administration failed to link trade with human right issues.<sup>185</sup> For the Clinton Administration the best way to promote American values in China was to regard it as “a constructive strategic partnership” and “increase contacts, promote trade, enhance international cooperation and seek extensive and frequently dialogues on question of human rights” (Qingguo, 2005: 399). Even though Taiwan’s politically independent status quo and economic capacities also serve US interests, however, risking a military confrontation with China over the Taiwan problem is no small concern to the US. Hence, the status quo policy of strategic ambiguity regarding both sides of the Taiwan Straits seemed to serve this purpose well in the mid-1990s (Qingguo, 2005).<sup>186</sup>

As Taiwan’s democratization in 1990s gave rise to the increasing assertiveness of Taiwan’s independence movement in the Lee Teng-hui Administration (1986-2000), Taiwan was no longer satisfied merely to play the role of a US proxy against China.<sup>187</sup> Therefore, the international support (mainly from the US) that ensured toleration of the authoritarian regime and economic mode of developmentalism for regional stability during the Cold War was ‘revived’ by the Taiwan authorities in the 1990s. This is due to concerns that political and economic security should be prior to the interests of the private sector. Despite WTO regulations, these security concerns were further concretized into special unilateral policies for restricting cross-Straits economic transition, and were utilized as a policy tool to cool down domestic pressure for further openness on cross-straits economic transactions (Leng, 2002).

Thus, anti-communist nationalism was reinvigorated into a new movement led by the

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<sup>185</sup> The communist collapse in the Soviet Union and East European countries had produced great confidence among Americans that they would able to change the rest of world into democratic places with liberalized market.

<sup>186</sup> The security provisions that US Congress placed in the TRA (1979) promised to provide sufficient amount of defensive weapons to Taiwan (see Adelman, 1997), however, the US never commit itself to protect Taiwan no matter what Taiwan does.

<sup>187</sup> During the 1995-1996 missile crisis, the US aircraft carrier groups were dispatched to the Taiwan Strait. This event was manipulated by the leader of Taiwan, President Lee, to strengthen and consolidate Taiwanese confidence that US troops will come to help even if they claim the independence of Taiwan.



political authorities by appealing to ‘secure the national economy’ (Dent, 2002). What deserves to be highlighted is that it could have been a concealed strategy for the authorities in Taiwan to use ‘the rivalry between Taiwan and China’ and ‘national identity’ issues as political tools for domestic consumption and as strategies to prolong state controls on materials and resources that should have been earlier liberalized (Leng, 2002; Roy, 2003). As Leng indicates “the Taiwanese government reiterates that ‘national security’ is the priority before economic benefits across the Taiwan Straits. However, the contents of ‘national security’ and ‘economic security’ issues have never been made clear” (Leng, 2002: 264).<sup>188</sup>

### *5.1.3. Conclusion-remarks on the struggle of a developmental state in globalization*

In sum, the case of Taiwan evidences that capital and knowledge flows across boundaries are no longer easily constrained. The divergent aims of the state and private sector as a result of globalization have seriously shrunk the scope that state can effectively control. The complex vertical and horizontal integrations between the Triangle Economies are the typical mode of what is called “alliance capitalism” (see Dunning, 1997a, 1997b). Enterprises with self-sufficient capital and technology are no more necessarily subordinated to the piloting and coordination of the state, and the links between the state and private sector have been weakened. For market-profit-oriented enterprises, the capacity to integrate global resources for an enterprise is extremely important for its survival in the global market. Their intentions and capacities are far beyond what the state can control, predict or dominate. International integrations initiated by the private sector are not a unique problem to any particular state. The hollowing out effect of globalization leads to social anxiety that has appeared in many advanced states, not only in Taiwan.

Figure 5.1 shows the IEMP trajectories at the international level from 1987-2000. The post-War anti-communist structure provided the historical specificities for the EA

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<sup>188</sup> As such, the security issues could be the last instrumental tools for state elites to legalize their private interests or ideology. The points of my argument is not to cast doubt on the importance of national security and the legitimate power of the state leader in a national crisis; but on how ‘the scope of economy security and national interests’ to be identified in globalization and democracy.



developmental state model to burgeon in Taiwan. The coming of globalization and political-military threats from China yield a similar international context for the government of Taiwan to invigorate economic nationalism by constructing a new national identity. That is, when there are divergent trends in politico-military and ideology-economy communications at the international level, what the government of Taiwan attempts to do is to bracket their IEMP power together as they did in past decades.

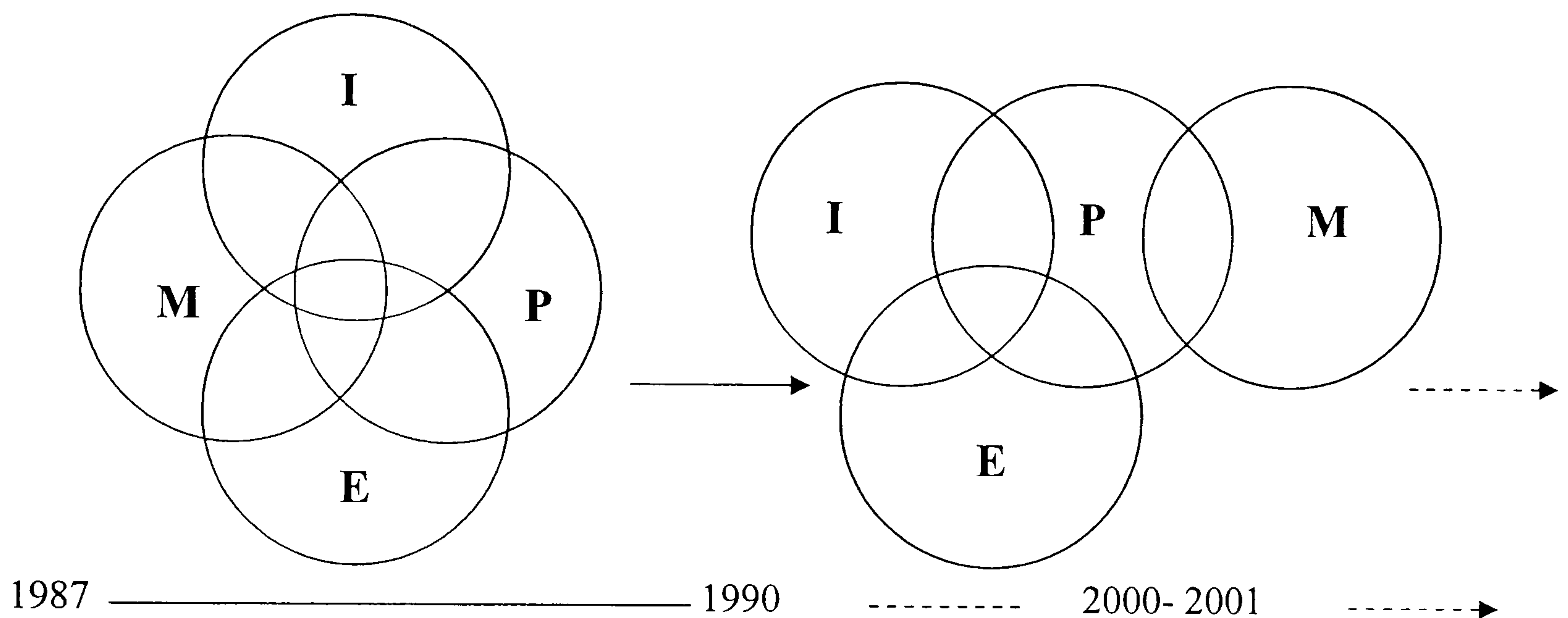


Figure-5.1 Trajectory and power resources at the international level in IEMP model, 1987-2000

## Section 5.2: The developments of capitalist duality in globalization and democracy

According to the neo-statist models (Evans, 1995; Weiss, 1998; 2002), the private sector was presumed to be subordinated to (or disciplined by) and piloted by of the state. They presume both parties will share in unified action to pursue maximal national interests. Therefore, the domestic capitalism modes in these countries are assumed to develop divergently from the liberal-market ones. However, many scholars have recently emphasized the *periodization of capitalism* or *divergence on capitalism* and share the common perspective that the various processes and institutional arrangements could lead to a predestined convergent destination-market capitalism (see Coates, 2000; Hollingsworth & Boyers, 1997; Jessop, 2000; Kitschelt



*et al.*, 1999).<sup>189</sup> As such, the Asian developmental states provide good cases to evaluate whether their divergent governance modes from liberal capitalism in western countries can continue to survive when external and internal contexts have been drastically changed.

5.2.1 seeks to examine the development of domestic capitalism in Taiwan from 1987 to 2000 in light of the same criteria reviewed in Chapter Four in order to provide comparable evidence for inferring developments in domestic capitalism. After reviewing each of the criteria in 5.2.2, 5.2.3 will indicate reactions in the private sector to the state related policy. This part of discussion will partly overlap with investigations of the state in the next chapter. However, it will focus on resistance of private sector to state policy.

#### *5.2.1 The development of dual capitalism in globalization and democracy*

Section 4.2 has indicated that the duality of domestic capitalism by 1990 was mainly in line with the division between public owned enterprises and SMEs in the private sector. This demarcation shifted between export-oriented and domestic-market-oriented sectors in the 1990s. Therefore, dualistic capitalism continued as the structural characteristic of Taiwan's economy by 2000s. Furthermore, it diverged on the degrees openness of trade and financial sectors to the international market. Trade liberalization happened in the early 1980s. However, financial liberalization was postponed until the late 1990s.

By 2000, the major economic strategies of government were still conducted by two major instruments. First, the state was active in assisting and promoting new industries for the export market by providing technology diffusion (R & D resources), tax incentives and human resources. Second, FDI was directed to be invested in

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<sup>189</sup> According to them, as one of the social control organizations (in Mann's term), capitalism seems to develop with distinctive dynamics and trajectories from those of the state and civil society. Hence, the global economy becomes an imperative convergence for the state system to operate.



strategic industries for promoting their competitiveness in the global market. The legacy of the state remained the technical capacity to pick the 'winner' industries by 1990(Hsueh, *et al*, 2001; Kwong, *et al*, 2001, Mai & Shih, 2001). Hence, the real beneficiaries of various instruments of protectionism were not in every industry but limited to within the state-public enterprises and targeted industries. The exclusive effects of a *pick the winner strategy* on the weak working classes and uncompetitive sectors were imperative.

To compensate for the deficits of economic policy on resource exclusions, the government assumed a conservative approach to finance control as a way of prolonging domestic power and mitigating the international pressure.<sup>190</sup> Control on finance resources and access to them is also the lowest-cost policy instrument for the state to stabilize domestic economic and social order. Further consolidation of the power of a political regime can be hard by courting the interest groups and political factions with financial resources or rents in exchange for their loyalties. Moreover, the overarching fiscal and financial conservatism constrained investments in Taiwan which prevented overheating and the formation of a bubble of economy (Li, 2002; Thurbon, 2001, Weiss, 2000; Yang, 2001).<sup>191</sup>

Safely passing through the Asian financial crisis in 1997 demonstrated that Taiwan had had more than sufficient capabilities to liberalize its financial sector in the late 1980s. However, even when real economy and manufacturing industries suffered a great pressure of appreciation because of high foreign exchange accumulated through

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<sup>190</sup> There were two merits for the KMT government to do this. The first was to consolidate its power resources by maintaining its dominance on some economic rents distribution and sharing these rents with its clients and patrons; the second was by appeal to ensure national economy security it would both mitigate the speedy pace of capital flow directed to Mainland China and encourage a timing gap for domestic enterprises to upgrade.

<sup>191</sup> Unlike the capital-short South East Asian countries which were forced to expose themselves in the global free-floating financial market, Taiwan was free from foreign debt and budget deficit had high domestic savings and a foreign reserve surplus, and so Taiwanese enterprises kept growing during the crisis (see Table 5.2). I have argued, the KMT intended to preserve the lack of sufficient transparency in the financial sector, especially at the local level, not only for reasons of domestic financial stability, but for consolidating its power by means of monopoly on financial resources and accesses. There was a common feature that economic processes to industrialization in the EA developmental states followed a quite similar trajectories—the development of the real economy preceded the development of the financial sector since they all lacked sufficient capital to develop decades ago (Li, 2002).



exporting, the government of Taiwan still tightly controlled its domestic capital flow during the 1990s. Particularly, when large amounts of capital *flew* to mainland China via various routes in the late 1990s, the state still attempted *re-regulating* the financial market (Cheng, 2005, Weiss, 2000). Control over financial resources allowed the KMT more advantage in elections in the 1990s. However, these circumstances encourage corruption with the ranks of the KMT. As such, what was once an essential pillar to facilitate the economic growth of Taiwan and contribute to its developmentalism may now have become a source of its weakness (Cheng & Chu, 2002; Chin, 2003; Kong, 2004).

Generally speaking, following the free market disciplines the export-oriented sector, whether big enterprises or SMEs, were exposed to the competitive international market and intensively integrated into global commodity chains. Some big enterprises particularly had been sheltered by state protection for decades turned into supporters of liberalism and free markets since they were upstream raw materials producers or in alliances with the downstream SMEs (e.g. petrol-chemical producers, international shipping transportation and steel-finishing producers)(Hsueh *et al*, 2001). These upstream industries included most of the labour-intensive, consumer goods manufacturing industries and high-tech electronic producers. In alliances with downstream SMEs, their survivals began to intensively rely on the global market. Moreover, even domestic market is competitive, too.

The owners of these export-related industries (upstream and downstream) are advocates of liberalism because their operationalizations and profits deeply depend on their comparative advantages in the global commodity chains. The export-oriented SMEs sector benefited most from infrastructures provided by the government (tangible or intangible) and tax rebate, however they got few privileges and incentives, especially in terms of the financial resources from the government (see Hsueh *et al.*, 2001; Mai & Shih, 2001; Park, 2001). The driving forces behind the export sector are the motivation to maximize their profits in the long run, whereas the state reflected more 'national interest and security' concerns.



The self-funded SMEs and advanced technology sector in Taiwan are less cohesive and more diversified than in Japan and South Korea. Especially, the nominally leading organization-the National Association of Small & Medium Enterprises (NASME) contained only 14 associations and less than 2000 member companies, while the total of registered companies was over 700,000 in the 1990s, excluding those that did not have licenses to operate (Cheng & Chu, 2002; Hamilton, 1997). As Cheng & Chu identify numerous SMEs enterprises remained 'at large' beyond the reach of state control (Cheng & Chu, 2002). The neo-statists' claims that the well-organized and well-functioning state-business relationship was mediated through the business associations only refers to limited targeted sectors which had political cooperation (Thurbon & Weiss, 2006; Weiss, 2000). Moreover, similar Taiwanese producers of anything from textiles to electronics often get involved in the cut-throat price wars in the global market (e.g. with micro-chips, DVDs & TFT-LCD monitors). Hence, there was not much room for the state to coordinate or steer the export sector.

As such, it would be far-fetched to say that the economic success of Taiwan was built on state-business relationships or phrase it as a kind of stylized economic corporatism. The relations between the state and the IT electronics industry (or other strategic industries) have been over-generalized as a stylish mode of Taiwan's economic structure in many studies and used to evidence successful state intervention in economic activities.<sup>192</sup> However, the ideal partnerships model between the state and these sectors as described by the neo-statists actually were not actually as they claimed (Evans, 1995; Thurbon & Weiss, 2006; Weiss, 2000). It's an illusive misunderstood image of Taiwan's economic structure.

By 2000, the government shared the contributions and efforts to provide, transfer and initiate R&D works, raise capital by joint venture, train personnel for the advanced technology sector. These achievements were real and have been lauded.<sup>193</sup> However,

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<sup>192</sup> Even in the most advanced technology sector initiated by the government industrial policy during the 1980s, the role of the government has been restricted to providing R&D studies diffusion and training personnel.

<sup>193</sup> These projects launched in the 1980s were initiated by some excellent technological bureaucrats authorized by the ex-President.



the successful infrastructural projects that include establishment of Hsin-chu Science-Based Industrial Park and related R&D institutions were modeled after the Stanford Industrial Park (Silicon Valley), and so were obviously not a unique strategy utilized by Taiwanese state or other Asian developmental states. Moreover, the state can not take too much credit for the ongoing successive success of the IT electronics industries since the 1990s as these industries are operated in the hands of private sector. Furthermore, the government got involved in less-successful or failed cases such as the automotive industry, aircraft industry, shipbuilding and other heavy industries that are all evidence that the strategies chose by the 'competent bureaucrats' were a series of 'trial and error' strategies based on economic nationalism. No one could ensure their definite success and no governmental bureaucrats have taken responsibility for the failure (Li, 2002).

By contrast, the domestic market-oriented enterprises sheltered by various means of state protection have moved into more rent-seeking behavior as their self-closed orientation in domestic market. Generally, they are less competitive than export-oriented enterprises and political-patron relations mean more to their survivals. They have become closely connected with the political monopolies of public enterprises, local political factions, patron interest groups and electoral polls since the second half of the 1980s (Cheng & Chu, 2002; Kong, 2004). These sectors particularly included the monetary, service and infrastructural constructions sectors and some governmental monopolized sectors such as steel-refining, petroleum-refining, raw materials, transportation, telecommunication, construction and agricultural goods (McBeath, 1997).<sup>194</sup> Insufficient transparency was the common feature of these sectors. As the government owning greatest share of public sector in the capitalist world, the KMT was unwilling to allow these sectors and enterprises to be privatized until 1993 (McBeath, 1997).<sup>195</sup> In the 1990s, with the arrival of

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<sup>194</sup> Some of these were operated under the agreements of the WTO, some of them the state struggled to resist and were intended to prolong the state's 'heavy hand' in them for ensuring state dominance and providing rents for its political clients.

<sup>195</sup> The government chose an incremental strategy to revise a draft and a time table for privatization and it was not until 1993 that this revised law was enacted.



democracy coupled with various reorganizations of electoral polls and power, interests groups and local factions began to share more power to bargain with the KMT central authority in pork-barrel politics (Cheng, 2001; Chin, 2003; Chow, 2002; Kong, 2004).<sup>196</sup> Therefore, the gap between state intention and capacity was enlarged. Many industry policies and regulations posted in the 1990s had been no more capable of achieving goals set than their original prescriptions.

In a nutshell, in the international free trade system, as a small player with limited natural resources, the government of Taiwan had lost the power of resource allocation and mobilization to discipline the expansion and internationalization of private sectors that have with sufficient autonomy. Furthermore, democracy's arrival in the late 1980s caused the diffusion of political and economic power resources that were dominated by the KMT authoritarian before. To consolidate political power, the KMT (Lee's Administration, 1987-2000) chose a strategy of sharing political and economic resources with the local factions, interests group, and even gangsters in exchange for their loyalties in ensuring its continuing dominance over Taiwan. Hence, the economic structure of Taiwan kept the duality of its capitalist development.<sup>197</sup>

The divergent policies between the trade and financial sectors, by and large, were in line with the divergence between export-oriented sectors and domestic market-oriented ones by the late 1990s. As such, the dualities of the mid-1980s and in the 1990s were characteristically different. The former was deliberately designed by insulated technician-bureaucrats for economic nationalism in an authoritarian regime;

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<sup>196</sup> The inevitable diffusion of political power resources and 'pork-barrel' budget-making politics, which occurs in many democracies, led the shift in power away from the single-party authority of the KMT as the provider of political finance and rents for their domestic alliances. The intensified political competition was also consistent with the explanation of KMT corruption and the drastic increase of the amount of non-performing loans of the public-owned banks and various local financial associations (see Cheng, 2001; Chin, 2003; Chow, 2002; Kong, 2004). More details in Chapter Six.

<sup>197</sup> On the one hand, the export-oriented sector had extensively integrated with other countries to expand their market share in the early 1980s and increased dramatically through whole 1990s; on the other hand, protectionism, particularly toward the financial sector, still prevailed through the 1990s. Some protectionist measures were set to stabilize social order, provide externalities of market failures (education, personnel training, and infrastructure), some for shelling weak and uncompetitive classes or public enterprises, and some for keeping domestic rents. Many protectionist means were introduced for on the political considerations not for economic efficiency. Hence, duality capitalism was preserved in Taiwan's economy through the 1990s.



the latter was put forward by political leaders to preserve their dominance on economic resources to consolidate their political power and interests in a democratic regime.

### *5.2.2 The dynamic and trajectories of the private sector*

The purpose of this subsection aims to demonstrate that the internationalization or regionalization strategies of the private sector in Taiwan were conducted under the principles of international labour division and the dynamic of comparative advantage, not withstanding the cross-Straits political hostility. The major point here is to argue that in a liberal global market, if the state's unilateral policy counters the trajectory and logic of capitalism, it will result in an enlarged gap between state intention and capacity. Furthermore, it suggests even under a politically hostile status as in cross-Straits relations, the developmental strategies and control means used previously could not be as effective in resolving the domestic economic problems. What the state needs is a new mode of governance and renewed thinking on, and definitions of national economic security.

The first part of this subsection will attempt to explain that the overseas reallocations of investments and capital made by the private sectors are spontaneous reflections of their international comparative advantages and are a result of a normalized adjustment, upgrade and transformation of the economic structure in Taiwan. In the second part, I will further identify the hollowing out effect that has been labeled by the KMT government a *crisis* for Taiwan. I argue that if the government has lost most of the available power resources and means to control the private sector and civil society, the last strategy for the political authority might deploy *security related* issues to dwell attention from its incompetence of resolving problems. In a democracy, the ultimate autonomy and capacity of the state to overcome its resistance can still be centered in military (security) power that originates in the ideology and interests of political authority. In these scenarios, politicalized or militarized economics might be a useful strategy to maximize benefits of state elites. Hence, it will be an *ethical issue* to identify 'who has the power to define the scope of national (economic) security?' and



‘who’s interest is interest?’ in a democracy.<sup>198</sup> In the last part of this subsection I will explore the capital resources of the private sector in Taiwan since 1987 and justify why capital accumulation is difficult for the state to control or direct during globalization in a brief conclusion. .

#### 5.2.2.1 The internationalization (regionalization) of Taiwan exporting sectors in 1990s

Trade protectionism that gathered momentum in the 1970s-80s forced industries in Taiwan to diversify their products and markets. Under international and domestic pressures the Taiwan government began to deregulate its limitation of outward-flow capital and investment in 1989 (Dwyer, et al, 2002; Hsueh, *et al*, 2001).<sup>199</sup> There were three favorable strategies and patterns for Taiwanese enterprises processing their internationalization. The first pattern was to shift the manufacturing plants or subsidiaries to ASEAN and China in forms of intra-industry hierarchies. The second pattern was to comprehensively close down the original production assembly lines and found a new enterprise in the host country. The last pattern was to establish the strategic alliances and cooperative relations with MNEs in the US, Japan and Europe in forms of OEM (original equipment manufacture), ODM (own-design and manufacture) or OBM (own-brand manufacture), preserve the upstream assembly lines or departments in Taiwan and operate downstream production lines in mainland China (Hobay, 1995; Veselka, 2005).

The first stage of outward FDI happened in the mid-1980s. As result of the New Taiwan Dollar (NT\$) appreciation, the gradually rising costs of wage, materials and lands coupled with numerous environmental and labour disputes forced that manufacturing industries that had begun to move to ASEAN countries, and a few to

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<sup>198</sup> As reiterated, I do not aim to cast doubts on the legitimacy or morality of national security and militarism of a Westphalia state. However, I contend it could become the last instrumental measure for the state elites that can be used to manipulate civil society or to distract preferences of a society when the government considers itself is unsafe, threatened or purports to expand ‘its’ interests.

<sup>199</sup> Through the 1980s export success, high foreign reserves, high national saving ratio and decline in the domestic demand market all facilitated the inevitable loose money supply in the domestic financial market since domestic saving were far greater than domestic investment.



China to find more pro-productive environments to enhance their international comparative advantages.<sup>200</sup> The operational patterns of this investment stage mainly integrated the domestic and overseas plants by vertical production designs; but some of these enterprises simply implanted the whole enterprise overseas (Cheng, 2005; Howe, 2001; Lee, 1996; Lin & Lin, 2001; Mai & Shih, 2001).<sup>201</sup> When outward investment caused a slowdown in productivity growth on a manufacturing-wide basis, profits in the public owned sectors were reduced significantly. At this stage, capital outward strategies coupled with domestic industrial upgrading and reconstructing policies were encouraged and approved by the government and processed basically in line with Taiwan's international comparative advantages (Cheng, 2005; Howe, 2001; Lee, 1996; Lin & Lin, 2001; Mai & Shih, 2001).

The announcement of the 'open door policy' in China in 1978, limited deregulations of overseas investment in Taiwan, and the removal of foreign exchange control accompanied by the government's removal of restriction on travel to mainland China in 1987, resulted in a dramatic surge of Taiwanese SMEs moving to south-eastern China. One such place is the Pearl River District where Beijing encourages overseas investments. Beijing attempted to attract FDI by means of low labour cost, basic infrastructure, and tax incentives, just as Taiwan did in the 1970s. Geo-political factors and sharing the same ethnic background and language made China the first priority in line for overseas investment by Taiwanese SMEs.

The Taiwan FDI in mainland China can be divided into and identified as three waves

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<sup>200</sup> The locations of these investments are scattered everywhere in Southeast East Asian countries where the economic structures are mostly Chinese-based and Chinese-dominant – the Philippines, Thailand, Malaysia, and Indonesia (Hsueh, *et al*, 2001; Mai & Shih, 2001)..

<sup>201</sup> As SMEs of Taiwan were masters of the labour-intensive industries, the competitiveness from the other developing countries e.g. Latin America countries and South-East Asian countries forced SMEs in Taiwan to move overseas based on defensive considerations to restore their competitiveness and market share. During this period, agricultural production, food processing production and primary light industries were the major investments. This stage of overseas investments was in the form of diffusive or individual action that could connect with family or kinship ties and personal motivations. These industries included agricultural and food processing products, papers and plastics, leather goods, wood and bamboo products, rubber products, basic metals, textiles and garments making and other hand-made or labour intensive industries (Hsueh, *et al*, 2001; Mai & Shih, 2001).



(Cheng, 2005; Howe, 2001; Lee, 1996; Lin & Lin, 2001). By the mid-1980s, the first wave Taiwanese FDI in mainland China was similar to that in ASEAN countries during the same period: small-scale firms that attempted to reallocate labour-intensive production of exports (see Tien, 2002).<sup>202</sup> However, with a ceiling on the total amount of remitted capital to China per case, it is believed that many companies exceeded this limitation by registering in a third place or remaining unregistered with the government (see Appendix 7-1& 7-2, pp.344-6).

In the first half of the 1990s, the second wave of FDI toward China rushed in after the first cross-Strait talks (the Koo-Wang meeting) in 1993. Large scale, domestic-oriented enterprises which were publicly listed companies in Taiwan joined the march as well. Most large enterprises went to China to provide logistic materials and intermediate goods to SMEs in the proximity of their downstream enterprises that had moved to China in the first wave. Moreover, the second wave of enterprises clustered and acted collectively. That is to say this wave of investment was in forms of hierarchic vertical and horizontal clusters, and organized in a more collective strategy-from upstream logistics to downstream operations (Cheng, 2005; Howe, 2001; Lee, 1996; Leng, 2004; Lin & Lin, 2001).<sup>203</sup> The biggest private petrochemical enterprise fostered by the Taiwanese government-Formosa Petrochemical Co. was welcomed by Beijing and approved by the Taiwanese government to invest in petrochemical materials in Southeast China (Hai-chang Petrochemical Complex) to serve the increasing demands of Chinese domestic market in 1988 (Tu, 2001). Some food-processing industries also began to capture a share of the Chinese domestic market. Lowering costs to enhance market competitiveness still was the major strategy used by the investors in this wave of migration (Cheng, 2005; Howe, 2001; Lee, 1996; Leng, 2002; Lin & Lin, 2001).<sup>204</sup>

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<sup>202</sup> This wave of investment included such products as textile, shoes, travel accessories and electronics, few (3.5-5% of total FDI) included basic agricultural and food-processing products (see Tien, 2002).

<sup>203</sup> The whole production assemblies and networks (include upstream, midstream and downstream) positioned themselves in the commodity chain not only to keep export share but also to seek market expansion, penetrate China's market and getting behind China's tariff and non-tariff wall.

<sup>204</sup> In the meantime, since the labour and land cost began to rise in South-eastern China, some Taiwanese owned labour-intensive or light industries chose to shift their productions assemblies and plants again to the new FDI paradises of Vietnam, Malaysia or mid-west China (Cheng, 2005; Howe,



In the early 1995-96, firms manufacturing computers and peripherals began to venture into the Guangzhou and Shanghai areas organizing and operating in multiple flexible forms. These information technology firms with MNEs characteristics sought to reallocate the manufacture of their lower end product range to China, while maintaining service functions, R & D and a market presence in Taiwan. They established strategic alliances with Western companies in the forms of OEM, OBM or subcontractors.<sup>205</sup> This was conducive with the offshore sourcing strategies of Western MNEs in Taiwan since the Pacific Triangle Economies and South Korea are the major supply source regions of their international procurement offices (IPOs). This international commodity hierarchy and labour division has been well organized in the global market since the 1990s (Chen and Ku, 2002). In the late 1990s, the Taiwanese FDI investment expanded to consolidate cement, real estate, banking, finance, chemicals, high-tech electronic products and components but also broadened into other local market-oriented industries and service sectors. Looking at a production and investment profile, the changing composition of Taiwan's investment in China obviously shows a swift upgrade and change in production. In the late 1990s, China leaped forward to become a significant export country in the world and over 60% of its exports had the contribution of Taiwanese FDI. The Triangle Three integration targeted the US, Japan and Europe as their major trading destinations and performed well since the 1990s and the market shares of the Triangle Economies in US, Japan and Europe expanded in this period, too (see Appendix 5, p340). This cross-Straits integration also resulted in growing exports of machinery, electrical and IT electronic products for Taiwan (see Cheng, 2005; Howe, 2001; Lee, 1996; Leng, 2002; Lin & Lin, 2001).

Therefore, the integration of the Pacific Triangle Economies was basically driven by private initiatives and market forces rather than being piloted by schemes planned by the states since the inter-governmental coordination was weak (Lin & Lin, 2001). As

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2001; Lee, 1996; Leng, 2002; Lin & Lin, 2001).

<sup>205</sup> Some of these ventures were conducted under the request of strategic alliances from Western countries and Japan since the enormous domestic market of China was expected to be gradually opened after it became a member of the WTO by 2000 (Chen and Ku, 2002)



suggested by Cheng (2005) the result of structural change was entirely expected as all mature economies in the West have gone through the similar trajectories. If simply observed from an international labour division perspective, the cross-Straits integrations or the China Triangle integrations are successful regional integrations and interdependence cases in the global market.<sup>206</sup> Hence, the government claim on the hollowing out effect caused by FDI to China needs deliberated explorations. Table 5.2 is the GDP related index and unemployment ratio from 1987-2000; Table 5.3 shows changes in Taiwan's economic structure since 1980s.

Compared to Taiwan's industrial structure in the mid-1980s, the industrial structure of Taiwan as a whole transformed smoothly. The ratio of Taiwan manufacturing sectors declined from an average 36.7% of GDP in the second half of 1980s to one of 30.5% in the first half of 1990s and a average of 26.9% in the second half of 1990s (Chen, 1999; Cheng, 2005; Li, 2002), however, the ratio of high value-added service sectors in GDP simultaneously increased from 47.9% (1985), 54.6% (1990) to 60.2% (1995) (Appendix 2-3, p.336). In Appendix 2-2 and 2-3 (pp.335-6), it clearly shows the products of light industry decreased from 52.6% (1985) to 28.5% (1998) in their share of manufacturing outputs, showing that light industry in Taiwan did decline in the past one and a half decades. However, the weight of heavy and chemical industries increased from 47.4% (1985) to 71.5% (1998) in manufacturing output and the share of service sector increased in the same period, too. Appendix 2-2, 2-3 also proves this argument.

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<sup>206</sup> As an expansive type of FDI, capital-intensive and high-tech sectors moved to China to exploit their technological edge when a product is maturing and the patent is ending. The service sectors provided by Hong Kong, the capital, management and skill provided by Taiwan and the manufacturing sectors provided by China have integrated to complement each other and create niches for their healthy economic survival.



Table-5.2 Key economic indications, Taiwan, 1987-2000

Year	GDP Growth Rate	Export (GDP%)	Trade Surplus (GDP%)	Import (GDP%)	Gross national Saving (GNP%)	Per Capita GNP (US\$)	Unemployment Average Rate	Agriculture sector (GDP%)	Foreign Exchange Reserves (US\$ m)
1987	12.74	57.3	17.3	40.0	38.52	5,298	1.97	5.30	76,748
1988	7.84	54.3	10.7	43.6	34.48	6,379	1.69	5.03	73,879
1989	8.23	49.6	7.5	42.1	31.10	7,626	1.57	4.90	73,224
1990	5.39	46.8	5.0	41.8	29.33	8,111	1.67	4.17	72,441
1991	7.55	47.4	4.5	42.9	29.40	8,932	1.51	3.79	82,405
1992	7.49	43.4	2.1	41.3	28.99	10,470	1.51	3.45	82,306
1993	7.01	44.2	1.9	42.4	28.81	10,582	1.45	3.42	83,573
1994	7.11	44.1	1.9	42.2	27.62	11,579	1.56	3.07	92,454
1995	6.42	48.8	2.0	46.8	27.04	12,686	1.79	2.32	90,301
1996	6.10	48.6	3.8	44.7	26.73	13,363	2.60	2.17	88,083
1997	6.68	49.4	2.7	46.7	26.23	13,592	2.72	2.02	83,502
1998	4.57	48.9	2.0	46.9	25.99	12,361	2.69	1.77	92,810
1999	5.42	41.3	4.0	37.3	25.95	12,325	2.92	1.77	106,235
2000	5.86	47.1	2.3	43.8	25.37	14,214	2.99	1.65	106,712

Sources: 1. Calculated from <http://www.stat.gov.tw/public/attachment>, <http://www.coa.gov.tw>; <http://www.dgbas.gov.tw> and <http://www.gov.tw/EBOOKS/>.

2. Also in Cheng, 2005; Chou, 2001: 50; Dent, 2002: 209; Li, 2002: 28; Yu, 1999:145.

As Table 5.2 and Appendix 2-1 (p. 334) show, from 1987-2000, the agricultural sector slid from 5.3% to 1.65% of GDP and its employment ratio was reduced from 17.5% to 8.8% in the same period. However, the unemployment ratio as a whole kept steady at an average of 2% from 1987 to 2000. From this we can infer that human resources squeezed from light industries were absorbed by the newly emerging services sector. The ratio of unemployment began to climb from 2.6% to 2.99% in the second half of the 1990s, but the ratio was still kept low if compared to the other EANIEs. However, there was a nearly triple growth in the per capita GNP in the same period. Moreover, the GDP growth rate and foreign exchange reserves remained high from 1987 to 2000. This further evidences that Taiwan's economy benefited from shifting offshore labour-intensive industries to China or ASEAN countries. The export and import contributions to GDP evidence that the economy as a whole was in a styled value-added exporting mode.

If economic developmentalism is accepted as the common vision of the state, there is no reason for panic over the declining share of the manufacturing sector in Taiwan's GDP since the share of the service sectors increased in the same period. This reflects the realities of a 'normalized' economic structural change and upgrade. Hence, if observed simply from the perspective of dynamic comparative advantage, it is a virtuous circle of economic developments since both home and host states both



benefited from this industrial migration and integration. Obviously, there must be some other reason for the alarm of the Taiwanese government toward outward FDI to China. Therefore, Taiwan again is a very unique case that a strong developmental state seeks to saliently parcel national identity with the economy.<sup>207</sup>

#### 5.2.2.2 Identifying the realities of hollowing out effect in Taiwan

As Cheng argues by examining economic related data from mid-1980 to 2000, the integration across-Straits is a virtuous one. Accordingly, he further contends that the hollowing out effect proved to be a false alarm sounded for political reason (Cheng, 2005). I agree with Cheng's points according to four aspects as below.

First, the outward FDI to China brought Taiwan a significant positive economic growth and an upgrading of industrial structure between 1989 and 2000. There was no sign of a hollowing out effect. Second, according to surveys of the Ministry of Economic Affairs on Taiwanese enterprises, most medium and large firms that were active in outward FDI to China have continued to expand and invest in Taiwan as their production end locations. Table 5.4 analyzes Taiwan's export commodities by intensity of input factors and provides a profile on changes in industrial export items. It can also be seen as cross-section of an economic structure composed of labour, capital and technology intensities. Between 1982 and 2001, high labour intensity products declined from 47.2% to 34.4%, while high capital intensity increased slightly from 26.9% to 29.6%; however middle capital intensity rose from 45.4% to 62.6%. High technology intensity jumped drastically from 18.3% to 45.5; whereas low technology intensity slumped from 49.5% to 13.8%. Table 5.5 shows Taiwan's prominent presence in the production of PCs and peripherals. Actually, the world market share in Table 5.5 does not account for the share directly exported from China in plants built with Taiwanese FDI. This proves that the primary IT technology production sector benefited from relocating their operation and production facilities

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<sup>207</sup> As there are still many independence movements in the world by appealing to forge a new national identity such as Quebec in Canada and some small states in Eastern Europe and former Soviet Union. However few of them bind the identity issue with their economies in a package.



abroad through outward FDI.<sup>208</sup>

Third, while most SMEs reduced or terminated their production assemblies in Taiwan, their overseas operations did lead them to procure intermediate and capital goods from big enterprises in Taiwan. There is abundant evidence on the effects of hierarchic cross-Straits integrations and the changing trade patterns between both sides (see Appendix 2-2, 2-3 and Table 5.3). Fourth, the technology intensity of Taiwan's exports drastically rose from 1985 to 2000 (see Table 5.3) signifying that the upgrading effect did happen in the domestic manufacturing sector, at least in the IT electronic industries. The input factor intensity in the export structure in Taiwan did shift, however the ratio stuck on medium labour-capital-technology intensity remained high and the ratio of high capital remained quite steady after 1982. This highlights that although the SMEs are still the major contributors of exports and imports, their technology intensity (R&D) needs to be improved. The profiles imply that what needs to be improved is more to do with R&D diffusions and capital intensity, if a service and knowledge-driven economy is the desired goal in the future.

As Krueger (1995) and Fu *et al* (1999) identify the EANICs' economic growth followed a trajectory that developed factor accumulation sectors with exogenous factors investment (tangible capital, labour) in the first stage by 1985. However, these EANICs began to diverge on their trajectories in the early 1980s (Fu *et al.*, 1999; Lau, 1999; Li, 2002).<sup>209</sup> Fu *et al* (1999) further indicate that the gap between factor accumulation and factor productivity was smaller in Taiwan (58% vs. 42%) and Hong Kong (44% vs. 56%) than in Singapore (65% vs. 35%) and Korea (37%). This implies that the former two countries transformed themselves into service economies more

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<sup>208</sup> See Appendix 5 (p. 336). Over 70% of electronics exported from China are made by Taiwanese enterprises.

<sup>209</sup> At this stage, development in the real economy has served as a firm base to sustain growth in the nominal economy. However, when these states proceeded into service and the tertiary sectors (e.g. banking and finance, insurance, real estate, and personal service industries), endogenous growth factors and factor productivity such as the qualitative factors, education, technology, information, environment and intangible infrastructures became the necessary preconditions for the second stage development (Fu *et al.*, 1999; Lau, 1999; Li, 2002).



than the latter ones.<sup>210</sup>

Table-5.3 Taiwan's export structure by intensity of input factor, 1982-2001(selected years)

	Unit (%)											
	Degree of Labor Intensity			Degree of Capital Intensity			Degree of Skilled Labour			Degree of Tech Intensity		
	High	Mid	Low	High	Mid	Low	High	Mid	Low	High	Mid	Low
1982	47.2	30.8	21.9	26.9	45.4	27.6				18.3	32.6	49.1
1985	45.9	35.6	18.5	24.5	48.7	26.8	18.75	33.62	47.63	18.8	33.6	47.6
1989	43.45	37.75	18.8	26.59	50.73	22.68	24.25	38.10	37.65			
1990	41.0	38.3	20.7	28.9	50.5	20.5	26.73	38.57	34.7	26.7	38.6	34.7
1991	40.10	36.87	18.0	29.82	50.98	19.2	27.23	38.52	34.25			
1995	36.4	40.6	23.0	31.9	56.5	11.6	36.5	41.4	22.0			
1996	36.37	41.78	21.84	31.20	58.39	10.42	37.99	40.88	21.13			
1997	34.9	43.10	22.1	30.3	60.6	9.1				39.7	41.1	19.2
2000	37.6	41.2	21.2	28.1	64.4	7.5				42.5	43.2	14.3
2001	34.4	42.8	22.8	29.6	62.6	7.9				45.5	40.7	13.8

Sources: Modify from 'Council on Economic Planning and Development, Taiwan Statistic Data Book, 2002' cited in Cheng, 2005: 113; Chen, 1999: 237; San, 2001: 279.

Table- 5.4 Taiwan's prominent presence in the production of PCs and peripherals (1999)

	Its world market share(%)	Share of its overseas powerhouse over whole production(%)	Unit Price (USD)
Notebooks	49	3.3	1,901
Monitors	58	73.3	1,589
Desktop PCs	19	86.0	369.4
Master-boards	64	40.5	75.4
Switches	70	94.0	21.7
PC Cases	75	78.0	18.8
CD/DVD Drives	34	80.5	357
Scanners	91	58.5	422
Graphic Cards	31	63.0	45.6
Keyboards	68	57.0	64

Source: [www.mic.iii.org.tw](http://www.mic.iii.org.tw) cited in Cheng, 2005:117.

As a whole, adding the growth in the services sector, the economic and industrial

<sup>210</sup> The growth unfolded in the real sectors in the forms of industrial output, trade, and tangible infrastructure construction (Lau, 1999; Li, 2002). Krueger (1995) and Fu *et al* (1999) point out that the average percentage GDP growth rates (6% per ann.) of the four EANICs were similar between 1960 and 1985. However, as Lau refers the economic growth of Taiwan should be attributed to tangible capital investment (85%) and labour (15%) from 1960 to 1990, with technical progress taking no credit in this process. The only exceptional case in Asia is Japan, where technical progress attributed for 39% of investment in its economic growth(see Lau, 1999).



structures of Taiwan transformed from one based on a low capital-technology intensity and high labour intensity model into a more advanced structure that specialized in products of high to medium capital and technology intensity with medium-low labour intensity. There is abundant evidence to demonstrate that the knowledge-driven, technology and services sectors have become the major sources of capitalist dynamic and growth in Taiwan (also see Appendix 2-1& 2-2, pp.334-5). These trends meet the state's commitments and policy guidelines on *economic liberalization, internationalization and institutionalization* by promoting industries meeting criteria of "two bigs, two highs and two lows" promulgated in 1984.

Hence, the most significant characteristics and comparative advantages of Taiwanese SMEs are their flexible manufacturing efficiency and management capacities with flexibility. This has concerns more to do with factor productivity rather than factor input or factor accumulation; and concerns improvement in the quality of human resources and R& D technology rather than government efforts to keep this comparative advantage static by blocking them going abroad. Comparative advantages in the global market are dynamic, not static. At the domestic level, statistics suggest that what needs to be improved is the quality of skilled labour and capital and technological intensity in order to enlarge the technological gap with later-comers and capture more of the markets in advanced countries.<sup>211</sup>

From a macro perspective, the upgrade and offshore strategies initiated by the private sector initiated a virtuous industrial transformation since the total share of China, Taiwan and Hong Kong in the American, Japanese and European Union markets increased by 2000.<sup>212</sup> Moreover, from the second half of the 1990s, semi-finished and labor-intensive products have replaced agricultural goods as the major imports from China to Taiwan, indicating that the division of labour in across-Straits production is

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<sup>211</sup> Hence, this evidences what endogenous growth factors theory posits that the growth dynamic of the second stage development is due more to improvements in qualitative and intangible factors and efficiency in factor productivity.

<sup>212</sup> As Taiwanese FDI is the major source of the manufacture industries clustered along the south-eastern and Shanghai areas, Taiwanese enterprises benefited by this integration since the foreign reserves climbed higher than before.



improving (Cheng, 2005). Taiwan preserved the R& D technology end and exported the final products to the world market. This actually is a game with no losers. However, the neo-realist zero-sum calculations influenced by the cross-Straits rivalry limited fully comprehensive economic integration and contacts. Hence, there must be some residual or non-economic factors accounting for Taiwan's horrified evaluation the hollowing out effect. Political and military rivalry must be the only answer. Taiwan, again, is a particular case in that its trajectories on development of capitalism and politico-military strategy diverged from the international ones.

In sum, I argue that the alarm over the hollowing out effect of Taiwanese industry and a series of industrial policies since 1990 unfolded from politico-military concerns rather than purely economic ones. There are two politico-military concealed purposes packed in the economic strategies. One is to release domestic economic and social pressure; the other is to consolidate political power and forge a new national identity by packing the economic problem with diplomatic crisis and national security issues. However, I contend that the hollowing out effect will not be mitigated even if Taiwan becomes an independent state. Diversifying market access and supply source, ensuring financial-credit stability to reduce the risks of being overtly dependent on any state are common goals in any capitalist states. However, shouldn't this parceled policy process follow the dynamics of capitalism? As such, I argue there are at least two economic dilemmas that the state is incapable of managing if globalization is concealed under a national security umbrella.

First, the industrial upgrade policy pushed by the state succeeded due to being confined within limited areas since 1997, 97.9% of the manufactured export items of Taiwan were concentrated in a few industrial products areas such as electronics, information and communications products, chemicals, textile products and basic metals and articles in 1997 (Li, 2002). The industrial upgrade policy doesn't promise a comprehensive upgrade and transformation of whole economic structure that can apply to every sector. The successes and expansions of these 'winner' sectors can not possibly absorb the unemployment population left by industries moved overseas. That's why Evans (1995) can not find any justification to defend the possibility of



expansion in his “embedded autonomy” model when applied to the other sector in the same cases he studies. The state has limited resources to pick the winners (and losers), therefore the exclusion of some sectors are inevitable.

Hence, some marginalized industries or weak sectors e.g. traditional agriculture and labour-intensive industries unavoidably have to confront the risk of diminishing during globalization. The only exits for these industries to survive are to move to countries with lower labour and land costs to keep their competitive advantage or to upgrade with advanced technology and innovation. In the case of Taiwan, when the state was incapable of successfully facilitating to upgrade these left-behind sectors, its particular politico-military matrix seems to provide an exit for the state to divert domestic pressures into the diplomatic and security arenas.

Second, the squeezed human resources in the agricultural sector coupled with the laying off of unskilled or low-skilled human resources in labour-intensive industries that had closed down and moved to China or ASEAN countries were the major sources of unemployment, although some were able to find lower income jobs. Moreover, the import of cheaper labour from Southeast Asian countries since the early 1990s exacerbated the unemployment problem (Mai & Shih, 2001). Being a common dilemma, this structural unemployment bias happened during the process of economic transformation in many advanced countries. From a theoretical perspective, these unemployed populations are ‘losers’ in globalization. These problems could not be painlessly resolved even if Taiwan becomes independent from China since they are concerned more with complex projects of domestic re-distribution, labour and social welfare and how the state acts to upgrade the competitive capacities of these weak sectors. However, the KMT authorities utilized them as a convenient tool to distract from rising unemployment by packing them into the national identity and separatism parcel.<sup>213</sup> What really horrified the KMT is the thought of China peacefully reunifying with Taiwan by a strategy of *economic warfare*.

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<sup>213</sup> However, the high ratio of unemployment coupled with lower income, marginalized social status and low education levels caused dissatisfaction with the KMT government which are pro-capitalist class and corruptive.



The political rivalry and fear of China's ambition of reunification with Taiwan made the government of Taiwan assume a negative attitude toward the FDI in China and treated it as a political and security concern rather than a purely economic issue. Lee Teng-hui attempted to stir up Taiwanese resentment to China by forging a new national identity and a strong aspiration of independence by playing up the hollowing out risk.<sup>214</sup> From Lee's perspective, investing in China was no different from strengthening an enemy with capital nutrition and was sure to undermine the competitiveness of Taiwanese industry. Consequently, he further established an overarching cause-effect linkage between the hollowing out effect, China's hegemony and Taiwan's diplomatic isolation to justify the importance of Taiwan's independence. As such, I argue the hollowing effect was an over-exaggerated and misleading issue that attempted to conceal the state's inability to deal with globalization and democratization.

#### 5.2.2.3 Capital, technological and human resources of the private sector

##### Capital resources

In the early stages, as the supply of capital was insufficient to meet domestic demand, it was reasonable to understand why the state enterprises and big private corporations could secure bank loans since the state was the largest shareholder of the banks. However, the SMEs often found they were denied access to credit (Chen, 2001). Until the early 1990s, the share of loans granted to the exporters still remained less than 0.5 % of total loans in the banking system (Hsueh *et al*, 2001; Mai & Shih, 2001). Fortunately, loose domestic money supply contributed by individual and private savings compensated that capital-shortage problem of the SMEs with the informal

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<sup>214</sup> The major calculations of Lee were based on the inferential causal-consequence logics between the hollowing out effect and the rise of the domestic unemployment ratio. For Lee Teng-hui, inducing resentment over China's diplomatic isolation of Taiwan and blaming the rise a hegemonic China could be simultaneously used as means to consolidate the Taiwanese national identity and independence ideology, to exclude the KMT mainlanders from power, to distract the domestic economic and social pressures into nationalism, and to prevent China's unification pressure by economic integration and interdependence.



financial markets as the main source of capital and industrial development. Most investment capital of SMEs in Taiwan by 1990 was from the curb market (about 30% to 40%), personal family ties and informal finance market at about 20% (Park, 2001). That is to say the SMEs in Taiwan were actually nurtured by the informal underground market (Hsueh, *et al*, 2001; Kwong, *et al*, 2001, Mai & Shih, 2001).<sup>215</sup> As the outward remittance limitation was relinquished and the exchange rate began to float in 1987, the domestic saving ratio began to decline slightly coupled with an increase in outward FDI and the booming of the stock market.

As the stock market was deregulated and institutionalized as a formal mechanism of domestic investment in the late 1980s, the private savings began to be vigorously injected into it. These vitalized private savings become the major capital resource of the companies listing on the stock market and the over the counter (OTC) exchange (Hsueh, *et al*, 2001; Kwong, *et al*, 2001, Mai & Shih, 2001). Furthermore, foreign portfolio investments also injected capital into Taiwanese stock market, even though the proportion was still low by 2000. As such, from any aspect, there was no sign of a shortage of capital resources bothering Taiwanese enterprises after the late 1980s. Table 5.5 displays the number of companies issuing stocks from 1980-1998. During this period, the domestic saving ratio declined.<sup>216</sup>

Coupled with the imposition of the revised *Banking Law* in 1989, the leading private business groups were permitted to establish new banks that were monopolized by state banks with free interest rate permission. Intermediary bill finance companies were deregulated in 1995, too. Ministry of Finance opted to approve licenses for 15 new banks after 1990 and privatized the three-leading state-run commercial banks through share releases on the stock market. Table 5.6 shows the number of state/private banks and branches, from 1962-1998. As result of financial liberalization, the SMEs

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<sup>215</sup> Under the regulatory financial regime by the late 1980s, domestic saving were far beyond the investment ratio; and the private enterprises and households were the major contributors of the external and internal surpluses of saving.

<sup>216</sup> The reduction of the private saving ratio evidenced household savings and informal financial markets had flowed from the informal capital market into the formal one. However the informal market still remained as the major capital source of SMEs even in 1990s.



could raise funds more easily from capital markets. In the money market, bank loans were replaced by the use of short-term funds like commercial papers and corporate bonds (Wang & Mai, 2001).

Table-5.5 Number of Companies issuing Stocks, 1980-1998

Year	No. of Stock Exchange Listed Companies	No. of OCT Listed Companies	No. of Unlisted Companies
1980	102	-	25
1981	107	-	54
1982	113	-	116
1983	119	-	130
1984	123	-	157
1985	127	-	169
1986	130	-	182
1987	141	-	198
1988	163	-	226
1989	181	1	318
1990	199	4	567
1991	221	9	717
1992	256	11	803
1993	285	11	852
1994	313	14	917
1995	347	41	999
1996	382	79	1,110
1997	404	114	1,501
1998	437	176	1,810
1999	462	264	2,018
2000	531	300	2,257

Sources: 1. Chen, 2001: 362.

2. <http://www.tse.com/ch/statistics/>

Table -5.6 Number of State/Private Banks and Branches

Year End	State Operational Banks		State Commercial Banks		Private Banks		Taiwanese Branches of Foreign Banks	
	No. of Banks	No of Branches	No. of Banks	No. of Branches	No. of Banks	No. of Branches	No. of Banks	No. of Branches
1962	5	-	4	-	1	-	1	1
1965	5	-	4	-	2	-	4	4
1970	6	-	5	-	2	-	6	6
1975	6	-	5	-	4	-	12	12
1978	6	198	5	340	9	105	13	13
1979	7	207	5	346	11	112	13	13
1980	7	216	5	347	11	115	21	21
1981	7	230	5	363	11	121	24	24
1982	7	242	6	366	11	128	25	25
1983	7	243	6	370	11	133	28	28
1984	7	243	6	371	11	145	31	31
1985	7	248	6	386	11	154	32	32
1986	7	257	6	389	11	167	32	32
1987	7	282	6	391	11	196	32	33
1988	7	293	6	406	11	204	32	35
1989	7	301	6	424	11	228	33	38
1990	7	312	6	430	11	254	35	43
1991	7	316	6	443	12	287	36	47
1992	7	333	6	463	27	416	36	50
1993	7	361	6	489	28	532	37	55
1994	7	384	6	431	29	762	37	57
1995	7	425	6	555	29	827	38	58
1996	7	443	6	581	29	912	41	65
1997	7	459	6	597	34	1120	45	69
1998	7	475	3	198	38	1609	46	72

Source: Chen, 2001: 356.



As Chen indicates, following the liberalization of the financial sector, the profit-oriented private financial institutions have enjoyed greater autonomy and resources that far exceed the government's capacity to exercise control and supervision. Consequently, the capacity of the government to provide capital provision for a variety of policy-oriented and low-interest loans for strategic industries and state enterprises was commensurately reduced (Chen, 2001). Moreover, the Central Bank found could not implement monetary policy as effectively as usual since the exchange rate and capital were floating freely.

Overall, the state economic power resources were consequently shrunk during the liberalization of the trade and financial sectors from the early 1980s to the late 1990s. From the onset, state-business relations and cooperation in Taiwan were established on the prerequisites of state monopoly on material and capital resources control. From the developmental stage perspective, the EA developmental strategies can fit the first stage of development since they depend heavily on tangible exogenous factors and capital accumulation to create the economic growth on labour-intensive industrial economy. As such, the efficiency of resource and capital allocations became the most important variable in their encapsulated environment during the Cold-War period, as domestic cohesion was easier to achieve in an authoritarian regime. Hence, the role of the state in resource allocation and reducing transaction costs was prompted as the resource of private sector was weak and institutions of market was still not well-developed.

However, for progressing into an opened globalized market, factor productivity is far more important than factor accumulations on competitiveness. The momentum of growth shifts to depend heavily on intangible, qualitative and endogenous factors. Moreover, as domestic fragmented interests cause less cohesion in a democracy, the role of the state is inevitably changed. Hence, I argue, in the case of Taiwan, the strategies used in the closed economy are no longer effective for disciplining the private sector since they were originally for controlling tangible and exogenous factors not for managing intangible, endogenous factors. In next subsection I will briefly post three prompted cases to evidence this argument.



### *5.2.3 The private sectors reflections and resistances to the state*

Taiwan's booming trade surplus with China after 1990 caused Lee's Administration to worry about the asymmetric cross-Straits economic dependence that might increase Taiwan's vulnerability and sensibility caused Taiwan to be 'trapped' by China's ambition for peaceful reunification by economic integration. Hence, there were a series of policies of blocking and guiding Taiwanese FDI investment in mainland China to prevent the hollowing out effect and to protect the national economy. The cases posted below in turn justify the argument that the developmental strategies used in the Cold-War were unable to discipline the free-floating intangible assets and capital that are the major resources of factor productivity. Hence, I argue, the major purpose of these strategies was political and designed for domestic consumption, not for the long-term interests of the private export-oriented sectors.

#### *5.2.3.1 Failures on 'Go South' and 'No haste, be patient' FDI policies*

The major two policies for governing cross-Straits relations in the 1990s were the 'Go South' policy in 1994 and the 'No haste, be patient' policy in 1996 (Chan 1996; Chen, 1993; Chen, 2005; Cheng, 2005; Dent, 2002; Leng, 2002; Lin & Lin, 2001; Yahuda, 1998).<sup>217</sup> The first was intended to divert Taiwanese FDI away from China and toward the Philippines, Vietnam, Malaysia and Thailand. This policy was also coupled with one of encouraging the private sector to invest in some small counties in South America. The framework was extended to incorporate Australia and New Zealand in 1997. However, except for the original investors who had already moved before 1990, the policy package failed and only accomplished to 'persuade' some KMT state-owned or party-owned enterprises to invest in these countries. In addition, some domestic-market oriented companies verbally cooperated with the government in the name of joint venture with the purpose to gain domestic rent. However, the export

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<sup>217</sup> As Yahuda indicates the calculation behind 'southward policy' was not merely to encourage Taiwanese enterprises to invest in these countries but also geo-political purported to consolidate its relations with them. It expects the South Asian countries respond favourably to the establishment of 'second track' networks with Taiwan (Yahuda, 1998: 293).



ratios to China still swelled and dwarfed those with Southeast Asian countries by four to one in the mid-1990s (Chen, 2005).<sup>218</sup>

In 1996, just after China's *missile diplomacy* toward Taiwan, Lee's Administration forbade Taiwanese capital outward flow to China by various regulations and promulgated a policy of 'no haste, be patient' in late August of the same year. The packaged policies include sanctions on unregistered 'indirect' trade and investment in China; limitations on the single project investment ceiling which could not exceed US\$50 million; limitations on investment in high-tech and infrastructure such as power plants, railroads and airports (Leng, 2002; Lin & Lin, 2001). The inhibitions on cross-Straits direct trade mean that direct transportation, commercial and posted links must go through operated the third-parties. However, during the 1990s, the asymmetrical cross-straits trade balance drastically reflected Taiwan's dependence (or interdependence) with China. It evidenced the blocking on FDI toward China as a total failure since there had been a sudden rise of Taiwanese FDI going to China via British territories in the Caribbean region, Hong-Kong and other third parties as capital transfer stations (see Appendix 7-2, p. 346). Unless government of Taiwan can concurrently prohibit FDI toward other countries and re-constrain the financial sector it has liberalized, it will be impossible for it to forbid bypassed capital flow toward China.

#### 5.2.3.2 Failure of project of 'Asia Pacific Operation Center'

Knowing that Hong Kong would be transferred to China in 1997, Premier Lien Chan in 1995 announced an ambitious project to establish Taiwan into an *Asia-Pacific Operation Center* that aimed to transform the Taiwan economic structure into a service and technology directed economy (Lee, 1994; Klintworth, 1994; Rimmer, 1994). That meant the initial policy content was focused on the liberalization of the

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<sup>218</sup> The calculated attempt of the Taiwan government to launch a 'Go South' policy was not simply just confined to promoting economic interdependence between Taiwan and the region. It was coupled intensively with 'mutual diplomatic reciprocity' for exchanging 'holiday diplomacy' trips of President Lee and Premier Lien with official development assistance after Taiwan's isolation in the international community (Chen, 2005).



service sectors, including telecommunications, shipping and finance to grasp the right time to replace Hong Kong as the main service, finance and manufacturing center in East Asia. From the comparative advantage perspective, Taiwan did have the most favorable conditions and qualifications to do that at the transition point if it could have spilt the economy from politico-military control. Whereas, the limitations on cross-Straits direct links and worries on the increasing economic dependency forged an *abnormal alliance* between Beijing and Taiwanese enterprises, and further led to loss of bargaining power in the face of the mainland's unification policy, the Asia Pacific Operation Center faced setbacks under the unfavorable domestic political situation (Hsiao, 2001; Leng, 2001). However, as Hughes identifies, "if the Taiwan business community in the mainland is to have any role in cross-Straits political relations it may just as well be one constraining Beijing as one encouraging Taipei to develop direct links" (Hughes, 2001: 115).

From the perspective of foreign MNEs attracted by China's comparative advantages or enormous domestic market, why should they bother to locate in Taiwan if limitations on cross-Straits direct links have not been lifted (Hughes, 1997; 2001). As such, there was few inward FDI flowed into Taiwan, and more have transferred their local branches from Taiwan to Hong Kong or Shanghai since 1990. As the government of Taiwan took concrete restrictive measures on outward FDI in mainland, confusion arose not only in the foreign MNEs but also within Taiwanese business circle. The project was doomed to fail from the onset.

Ostensibly, the government of Taiwan believed a conservative and precautionary strategy by blocking cross-Straits direct links could work well to ensure and protect Taiwan's economic, political and social security. However, as Hughes refers Lee's Administration "had accepted fairly early on that it would be impossible, and probably economically undesirable, to stop trade and investment in the mainland" (Hughes, 1997: 114). However, as for the reason why Lee's Administration still backtracked to a conservative strategy, as I have argued only domestic consumption can provide the explanation. Lee always disciplined his advocates with the notion that, in a democracy, loss in elections means loss of power and loss of everything. As such,



to win over electoral polls seemed to be the first priority of Lee's optimal strategy to ensure his continuing reign. The fears that political spill-over forces would result in political integration with China led to Lee's choice of forging a new nationalism (Bush, 2005; Hughes, 1997; 2001), even at the risk of a possibly weakened and marginalized economy.

#### 5.2.3.3 The case of He-Jian semiconductor investment by UMC in Suzhou

When the 'No haste, be patient' policy was announced, Taiwanese big conglomerates such as Formosa Plastics United Enterprises, and Evergreen International Shipping Enterprises began to publicly press the government not to prohibit cross-Straits direct links. They warned to reduce transaction costs and position Taiwanese enterprises in China to expand market share. The Formosa conglomerate even signed contracts with Beijing to construct electricity power plants and petrochemical factories in a southeastern Chinese province. Moreover, Advanced Semiconductor Engineering Inc, the world's number two packing and number one test company of semiconductors and leader of TSMC that was fostered by the state in 1980s, also called for a new open policy and direct links with China. Hence, generally, the private sector was prone to support a direct links policy.

For Taiwan, the semiconductor industry symbolizes national pride, epitomizing the success of its high-tech strategy and state intervention, and this success has been used to exemplify and justify the active (positive) role of the state by numerous development-related or statist works (Addison, 2000). As Cheng indicates, "TSMC and UMC changed the structure of the world's semiconductor industry, captured around 70percent of the foundry market, and spawned a significant number of Taiwanese chip designers and developers as well as IC testing and packaging companies" (Cheng, 2005: 116-7). Crowned by TSMC and UMC, the IT industry accounts for one-third of total manufacturing outputs and 50 percent of export (15% of GDP) by mid-1990s (Addison, 2000; Cheng, 2005). By 2000, low-end, labour-intensive manufactures and PC producers also shifted their production assembly lines to the mainland to reduce costs since similar products made by other



Asian countries, especially productions of Singapore and South Korea are very competitive on global market. Moreover, the burst of the dotcom bubble in the late 1990s exposed an overcapacity problem and reduced the utilization rate of TSMC and UMC. Hence, the only market left with potential demand that was still not contracting and could absorb the full production facilities was China. The leader of TSMC, Morris Chang argued a delay of two years would mean the loss of the China market since Japan and South Korea had desperately raced to engage in establishing semiconductor foundries in China (ibid).

TSMC and UMC argue confidently that the technology gap between Taiwan and Mainland is large enough to prevent China becoming a competitor in the global market for at least in two decades. Their purported investments are 8-inch wafer foundries (0.25 micron technique) which they hope will facilitate foundries making 12-inch wafer in Taiwan more efficient and develop 0.1 to 0.09 micron techniques. Moreover, South Korea and Japan are also interested in similar investments in China, which show that 8-inch wafer fabrication is not considered to be high-level technology (Chang & Cheng, 2002; Cheng, 2005, Thurbon & Weiss, 2006). However, again, for reason of national economic security, the government of Taiwan rejected their request and still prohibited investment by the end of 2006. The argument here is not to debate whether the 8-inch wafer investment will cause a risk to national economy, the point is that under the government restrictions would it be possible for TSMC or UMC to invest in China without reporting to the government. The answer is definitely yes (ibid).

As indicated, UMC was the first wafer fabrication foundry initiated by the government they signed a technology transfer contract with the US firm RCA in 1979. The government not only funded it with a capitalization of NT\$ 500 million (40% of its equity capital) but also in 1976 dispatched a group of 37 engineers to undergoing training in the US. UMC was also the first private company in Taiwan with 4-inch IC production process technology for commercial use. One of their engineers, Tsao Hsing-cheng, succeeded after Morris Cheng as the CEO in 1990. Since UMC and TSMC have been very law-abiding firms due to the government shareholding, Tsao



has sensitized the importance of the China market since the very early 1990s.

In 2000, UMC began an unauthorized investment project-He-Jian wafer fabrication foundry located in Suzhou, south China. However the leading figures in UMC denied any relations between UMC and He-Jian. UMC claimed it is unnecessary for them to take responsibility for the individual behavior of any laid-off employers or engineers of UMC now employed by He-Jian. Moreover, since UMC (as a subsidiary) has been a listed company on the board of New York stock market and as a foreign company registered in British tax-free zone, it has also established many related subsidiary-companies with multiple-mutual cross- shareholding relations. Hence, the capital owned by UMC is weaved in a complex web and difficult to track.

For UMC, confronting threats from South Korea, Japan and China, the optimal strategies for continuing its leading role in the global market are reduction of its transaction costs and expansion of its market share (ibid). For the state, “economic globalization and internet-related technologies were rendering obsolete many traditional national security protection methods, and that Taiwan looked to develop technology-based security strategies based on existing strength in semiconductor production and informational warfare” (Dent, 2002: 230). Whether an 8-inch wafer fabrication investment will cause risks on national security is not the point here. The point is even it does, and the UMC still builds up its foundry to China, presence can the ‘strong developmental state’ in a democracy and with globalization do anything to effectively block the brain-drain technology diffusion and capital flow of any private enterprises? The case of UMC suggests that states cannot.

### **Section 5.3 Concluding remarks-capitalist resistance to the state in IEMP**

This chapter has utilized investigations on the IVs of the international system and the development of domestic capitalism of Taiwan from 1987 to 2000 to contrast with what was presented in Chapter Four. By applying concepts of ‘resources of autonomous power in IEMP model’ to examining the changing power resources both at the international level and at the domestic capitalism level a more vivid profile on



how these changing powers reshape the 'developmental state' in the post Cold War era.

This chapter produces evidence that suggests a divergence between state objectives informed by political and military concerns and the objectives informed by economic concerns. Institutions like the WTO put pressure on states to conform to liberal economic ideas. The room for subordinating national economies to the military objective is more limited now than when the Bretton Wood, and the Cold War, shaped the international system.

However, in the case of Taiwan, the state seems still to follow the strategies utilized during the Cold War, desperately attempting to link politico-military concerns and the economy by imposing ideologies of anti-communism and national security. The investigations in this chapter argue there are at least two difficulties in continuing with these strategies which will inevitably enlarge the gap between the intention and capacity of the state. First, the autonomous power and power resources of the government during the Cold War were largely dependent on the control of tangible assets and material. State-business relations were asymmetric ones,<sup>219</sup> and the autonomous power of economic bureaucrats originated largely from political protection regarding controlling and allocating material, capital and technology resources. However, except for infrastructural resources, the state injected few resources and capital into SMEs that provide the momentum for economic growth. Hence, there were no consolidated relations between the state and SMEs from the onset. When the state strategy violates the disciplines of free market, the resistance of the capitalist and their embrace of liberalism is to be expected. As a consequence of liberalizations of trade and finance in the 1980s and the 1990s, the economic resources and capital of the state shrank significantly which weakened the economic autonomous power of the state and the state-business relationship was slowly dismantled.

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<sup>219</sup> The major agencies engaged in this relation were the state, the public enterprises or the big enterprises with a special patron relation with the state.



Second, as Taiwan's economic structure has stepped up to the second stage of development and is aiming to becoming a knowledge-service-driven economy, factor productivity becomes more important than factor or capital accumulation. These changes are not merely limited to materialized and quantified resources, more important are changes on how the products are organized, transmit, and produced through intangible ways. Hence, the strategies employed effectively to regulate the tangible and static resource in a closed territory become problematical when regulating intangible resources and migratory human resources in a globalized informational economy.

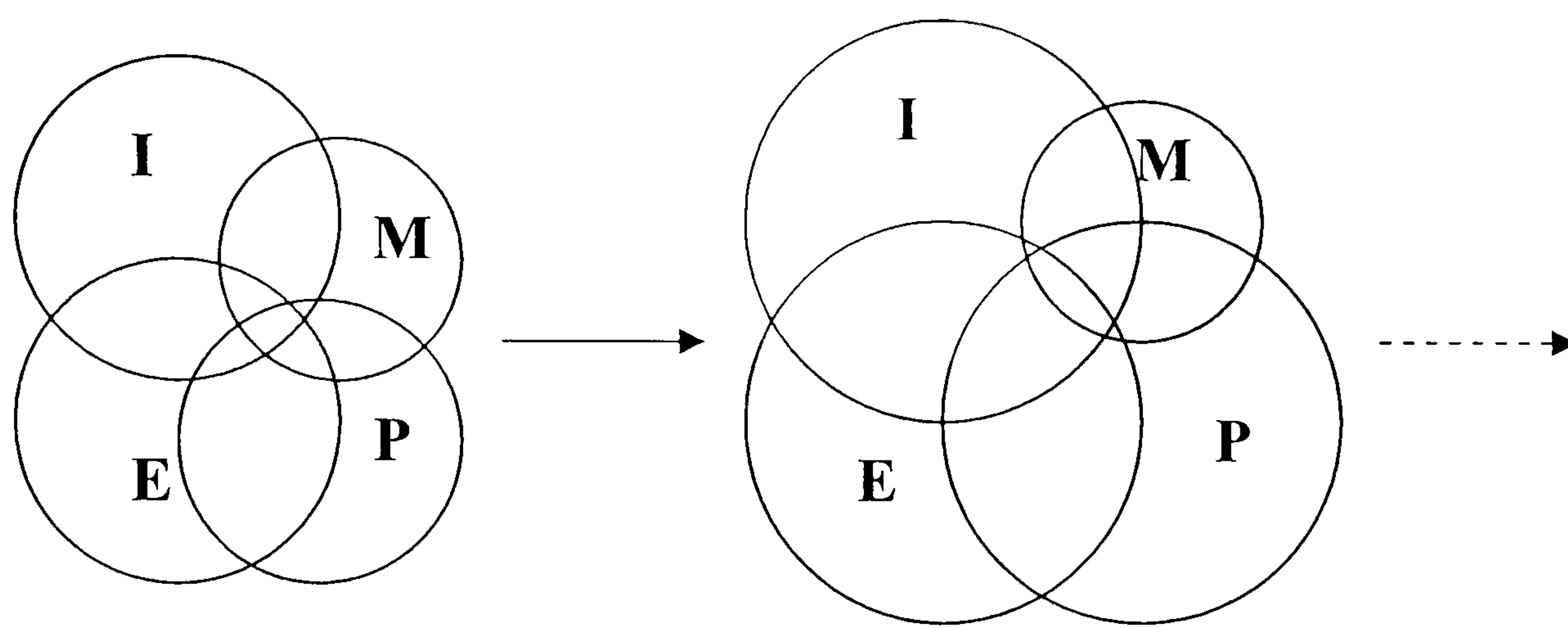


Figure-5.2 Trajectory and power resources of domestic capitalism in IEMP model, 1987-2000.

Figure 5.2 epitomizes the development of domestic capitalism from 1987-2000 in Taiwan in IEMP model. It indicates the power resources of domestic capitalism and private sector. It shows the ideological, economic and political power resources of domestic capitalists, export-oriented and domestic-market-oriented, have greatly enhanced through the democratization and globalization. However, the capitalists are still constrained by the politico-military strategies of the state in some degrees. .

In summary, as emphasized, the continuity of the developmental state depends on its institutional, administrative and political capacities to invigorate innovations and construct new modes of governance to conform globalization and information age, not just to revive the legacies of economic warfare and technical strategy. In most of the developmental states research, the common emphasis is the impressive image on how



these states *create* their *competitive advantages*. in the IT sector. As the external and internal prerequisites of the developmental state are dynamic, there are no reasons to assume the strategies and the role of the state should be immutably frozen at a snap-shot point.



## CHAPTER SIX

### **The Changing Causal Mechanisms for a Developmental State ( II )- Resistance of Civil society and State's Resistance to Resistances (1987-2000)**

This chapter continues to explore the causal mechanisms in the original theoretical 'arrow-diagram' (Figure 2.3, p.75 ) by delving into changes in the autonomous power resources of the other two intervening variables: civil society and the state. Basing on the overall analysis of changes in the character of the four IVs, it will establish the power constellation among the IVs. The new power configuration will be deployed as causal mechanisms to infer the continuity and discontinuity of the developmental state in Taiwan. As I have emphasized, sober scrutiny of the redistribution of power resources among the IVs, will enable me to redefine the boundaries and roles of the developmental state. I will also be able to comment authoritatively on the gap between the intention and capacity of the state in the new context of globalization and democracy.

This chapter will be divided into three sections. The first two sections will analyze changes in variables of civil society and the state by delving into their IEMP power resources. The last section will shed light on how changes on the IVs have created new causal mechanisms that enable and constrain the developmental state in Taiwan.

#### **Section 6.1: The compartmentalized liberalization and emancipation of civil society**

Most research date the process of Taiwanese democratization and liberalization, especially referring to the rise of civil society, to the day in 1987 when martial law was lifted (Buchanan & Nicholls, 2003; Chu, 1996; Teng & Chu, 1996; Thompson, 1996). This thesis assumes the same timing demarcation as with other related research.<sup>220</sup> Generally speaking, the economic power resources of domestic business

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<sup>220</sup> That economic power of civil society has incrementally developed and progressed along with the economic growth since early 1970s was a common given accepted in most of the existing literature.



and civil society were incrementally accumulated in more contingent and natured circumstances than their political, ideological and military power resources. However, that is not to say the latter in Taiwan abruptly emerged in a revolutionary sense. It would be more appropriate to say that these power resources accumulated in more concealed strategies than the economic ones under the specific spatio-temporal context. Therefore, the timing demarcation in 1987 will be viewed as a culminating peak of a process of emancipation in civil society that had begun in the late 1970s and that did not end at that point. Furthermore, from the IEMP power networks perspective, the liberalization and emancipation of civil society by no means developed at a unified pace for every aspect. Hence, the IEMP power resources of civil society may progress along intertwined and compartmentalized trajectories even in the same field.

Table 6.1 chronologically synthesizes the formal deregulations and re-regulations of the state policies that had constrained IEMP power resources, citizenship rights and liberties by the mid-1980s and how they had changed during 1986 to 1997. Hence, the remaining part of this section will shed light on how the causes-consequences of these important events reconstructed the IEMP power resources of civil society, and how these changes impacted on the developmental state model in Taiwan.

Table-6.1. Chronological deregulations and re-regulation concerning civil society from 1986-1997

Year	Deregulations and re-regulations of related policies	Practical meanings
1986	Constitutional reforms	Restored civil liberties specified in the Constitution (1928).
1987	The lifting of martial law	Allowing freedom of assembly, association and press. Replaced by the new National Security Law and moved the adjudication process from military courts to civilian courts.
1988	(To be continued)	Removed restrictions and censorship on the press, expanded publication licenses and increased pages of



1989	<p>A new Civic Organization Law</p> <p>The permission of election campaign advertising in newspaper.</p>	<p>newspapers.</p> <p>Granted legal status of new political parties.</p> <p>Allowed public political propaganda of the opposition parties.</p>
1990	<p>The Council of Grand Justice judged that the mainland-elected members in the National Assembly and Legislative Yuan should be forced to retired by the end of 1991.</p>	<p>Terminated the mainlanders' political privileges on Taiwanese.</p>
1991	<p>The abolition of the "Temporary Provisions" and the termination of the "Period of National Mobilization for the Suppression of the Communist Rebellion".</p> <p>The open of election campaign advertisements on TV and Cable program.</p> <p>The stipulation of Occupational Law, Health Law and the Labour Insurance Act</p>	<p>Moved Taiwan toward becoming a normalized democratic-constitutional country.</p> <p>The election campaign was allowed to advertise in electronic mass media. The KMT accepted the political challenge in public.</p> <p>Setting standards for working conditions and practices for secondary and tertiary sectors.</p> <p>Providing medical, injury, disability, maternity, and life insurance coverage for workers.</p>
1992	<p>The Abolition of Taiwan Garrison Command</p> <p>A rewriting of Article 100 of the Criminal Code</p> <p>The National Assembly adopted a constitutional article stipulating the president election should be elected by the entire electorate in Taiwan area. (To be continued)</p>	<p>Replaced the internal use of military power and censorship on civilians and society with normalized institutions and laws. e.g. set up the Coastal Patrol Command to assume the duty of protecting Taiwan's coast; passed the other internal security responsibilities to National Police Administration under the supervision of the Ministry of the Interior.</p> <p>Changed the stringent measures and laws to define sedition and treason.</p> <p>Released political prisoners and granted the return of exiled activists who advocated independence of Taiwan. Allowed more of speech freedom within university campuses.</p> <p>Expanded Taiwanese sovereignty.</p>



	Ratification of the Statute for the People's Relation of the Straits.	Provided the legalization of cross-Strait intercourse. The various cross-straits communications began to be institutionalized.
1993	The first popular suffrage of Assemblymen and Legislators at the central level by the inhabitants in Taiwan area. Ratification the Cable TV Law	Freed up additional broadcast frequencies. Legalized most of the illegal-pirate radio and TV broadcasters.
1994	The termination of the Publication Law	Publications and press are totally free from censorship.
1995	The introduction of 'National Health Care Insurance' policy	Expanded welfare provisions policies to those civilians excluded before.
1996	Revised the Labor Standard Law	From state corporatism to a more flexible pluralism following market principles.
1997	The major opposition party (DPP) was allowed to launch the fourth broadcast network, Formosa TV.	The political coverage to the opposition party was legalized.

### 6.1.1 The liberalization of the media and the emancipation of ideology

When *Martial Law* was lifted in 1987, civil liberties were reassured by the constitution and the civil rights of assembly, association and freedom of press were restored. Consequently, the TGC was abolished and inward military intervention in domestic regulations was ended by 1992. Within five years, the regulations on civil rights were reallocated to the hands of civilian courts and institutionalized offices. These deregulations impacted tremendously on the democratization of Taiwan. Based on these deregulations, the liberalization of the media and various social movements become possible and further encouraged the rise of a vigorous civil society that had been suppressed for decades.

In 1987, the KMT government agreed to remove most of the restrictions and censorships on the press, continued to keep a tight rein on broadcasting and wireless TV channels since the audiences and influence of broadcast and TV programs were



far beyond those of the press and magazines. The reduced market for opposition magazines and press, which suffered financial shortages in the late 1980s, made the government more confident to deregulate the limitations on publications (Chen, 1998). As the press ban policy was abolished, there were at least 25 dailies rushed into the market, however only the 'big two' (China Times, United Daily News) and two new dailies (Independence Evening Post, Liberty Times) associated with the DPP survived through the 'suicidal price wars' during the early 1990s (Lee, 2001). Hence, the media market was liberalized following market principles. Without sufficient financial resources, it was difficult for any new entrants to maneuver. However, lacking economies of scale, the media market in Taiwan does not actually have enough advertising revenue to sustain all of the new and old participants. From this perspective, the KMT dominated media still had the privileges to compete and sustain at the beginning of deregulation (1987-1992). It gradually lost its control however in the late 1990s after the decline of KMT party-state economic dominance (Lee, 2001, 2004; Rawnsley & Rawnsley, 2001).

There were at least three aspects to the pressure that forced the KMT government to relax its dominance of big media (TV & broadcasting) and other communication means. First, the improvements of communication technology and information transmission, such as satellite transponders, radio transmitters, cable networks and the internet web, all added to the KMT government being no longer capable of monopolizing the media and blocking the guerrilla political campaigns of the opposition party. Second, since the cable operators and many stations were still illegal in 1992, they were accused of infringing the intellectual property rights of US film, music and video makers by the US government. The US threatened to apply trade sanctions against Taiwan's imports if Taiwan did not stop its underground cable stations from 'stealing' and 'abusing' US intellectual property (Lee, 2001, 2004). Under US pressure, the Cable TV Law was expeditiously passed in 1993 legalizing the illegal operations (Chen, 1998).

Finally, the domestic cross-pressure from opposition parties, interest groups, intellectuals and civil society all reflected the public outcry for open and impartial



information freedom as democracy gradually consolidated during the early 1990s. The media monopoly became a battlefield where the state fiercely confronted opposition parties and mass in turn challenged by various social movements. Moreover, as the alternatives to TV were empowered by new technology, the political effects of media monopoly decreased tremendously (Rawnsley& Rawnsley 200; Lee, 2004). The authoritarian developmental state that had been established on a unified ideology through media dominance finally yielded its monopoly on communication means to a combination of technology and external politico-economic pressure from the US and domestic pressures. Political censorship was replaced by market censorship.

As Lee notes "...the struggle for democratic transformation has brought more complicated and contingent dimensions to the interplay of the state and capital in the media field" (Lee, 2001:14) and "power and capital have developed a new dialectical relationship" (Lee, 2004: 133). Since the lifting of martial law and the termination of the *Publication Law*, the mass media (electronic and printed) has experienced spectacular growth. There were 110 cable system operators legally registered in the Government Information Office (GIO) in 1998. The number of cable channels has shot up to over 100 channels, including ten Taiwan-based 24-hour news channel with live broadcasting (Fell, 2005). The cable penetration rate had skyrocketed from 16.1 percent in 1990 to over 80 percent by 2000, the highest in Asia (see Chiu& Chan-Olmsted, 1999; Copper, 2003; Fell, 2005). Internet penetration reached 36% of the population (53% household) by mid-2002.<sup>221</sup> Moreover, there were only 33 radio stations in 1993, which increased to 142 by 2000. "In 2001, there were 454 newspapers, 7,236 magazines, and 7,810 publishing companies in Taiwan, all statistics nearly double those of a decade earlier" (Copper, 2003: 24).

This data is evidence that there is sufficient freedom of information flow and media liberalization in Taiwan. There is no particular ideology that can't be discussed in the mass media-even separatism or communism. Hence, the media freedom has reached a similar standard to the advanced western countries. Cable subscribers can receive

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<sup>221</sup> See [http:// www.blue.lines.fju.edu.tw](http://www.blue.lines.fju.edu.tw)



national news programs from at least 17 different channels, that still have not include local news channels and foreign news from CNN, CBS, NBC, NHK and the BBC (Chiu & Chan-Olmsted, 1999). Furthermore, under market principles, the mass media (electronic or printed) in Taiwan have been forced to operate following a more neutral standpoint and have ceased to be mouthpieces for the state or any particular party. The mass media have learned to specialize in providing in-depth political coverage, and to report the political speeches, activities and agendas of all political persuasions (Fell, 2005). The best example of this market-led principle working was evidenced by several cases of political parties failed attempts to establish affiliation and host themselves with some cable businesses.<sup>222</sup> However, Taiwanese “are highly suspicious of the media content when there is an ownership interest” (Chiu & Chan-Olmsted, 1999: 504) due to the historical consequential bias of the media in the authoritarian era.

As a result, the effect of such expanded airtime and more balanced reporting on political campaigns was a more balanced amount of coverage and airtime to different parties. Political call-in talk shows and candidate debates on numerous cable channels in particular enjoyed widespread popularity and impacted on the results of various elections. Hence, cable TV networks made themselves into not only alternatives to the traditional TV stations but also demonstrated the power to inform the public (Chiu & Chan-Olmsted, 1999; Fell, 2005). As a conduit of a power structure for social control, the monopoly on communication resources used by the pre-democratic state had obviously eroded and weakened in the force of media pluralism. Moreover, the mass media did not only confine themselves to political issues. The programs provided by the electronic media were quite internationalized.<sup>223</sup> These multiple-cultures programs broadened the Taiwanese world view, and also reshaped their self-image and identity.

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<sup>222</sup> These failed cases included the KMT-operated cable news network, Po-Hsin Channel (1997); the DPP’s Democratic Cable television system (1997); and some pro-DPP small- capital TV networks. Too salient or radical political positions caused the loss of viewers, and consequently loss of advertising income that finally led to withdrawal from the market. Hence, even a party-run channel has to filter out content that may be a liability in the viewers’ eyes in order to survive (Chiu & Chan-Olmsted, 1999).

<sup>223</sup> The programs on Cable TV mainly include those received as spillover signals from Japanese, Indonesian, Hong-Kong, Chinese and other satellite broadcasters, and American pay channels (see Lee, 2004).



The media in Taiwan has confirmed itself as a market-driven industry since the late 1990s.

In sum, in the process of ideological emancipation and democratization, the liberalization of the media and communication means has contributed to and facilitated changing the political landscape. Lee argues that Taiwanese media discourse “have been narrowly confined to electoral politics, faction fights, ethnic conflict and anti-China sentiments” (Lee, 2001: 13) rather than other issues. Some scholars are even pessimistic on the pluralistic media will lead to fragmented attitudes on national identity (Lee, 2001; Rawnsley, 2000; Rawnsley & Rawnsley, 2001, 2003). However, I see media liberalization from a more optimistic point of view. Democracy needs a long road of initiation to consolidate itself. The fragmented debates and pluralism reveal that Taiwanese civil society has developed growing capacity and sober reflexivity to reflect on difficult situations, international or domestic, it confronts. The disappearance of overly pro-party cable channels demonstrates this point.

From political and social perspectives, up to the first suffrage election of the president in 1996, the major agendas of social movements and media liberalization were confined to debates within institutionalized struggles. In this early period, after martial law, the communication means and accesses were gradually freed from the hands of the government. Critics in the various social movements rose together to challenge the political, economical and social injustices and inequities carried out by the authoritarian single-party state regime that had suppressed civil society for four decades. Democracy and justice were the highlighted goals. However, social stability and political security were still the major concerns of civil society. Hence, these movements were confined within a controllable range with a progressive pace towards innovations on related policy.

However, in the later period (1996-2000), after the first president was elected through inclusive suffrage in 1996, democracy was gradually consolidated and institutionalized. The first presidential election provoked pervasive discussions on



sovereignty and Taiwan's international status. The competitions between political parties become fiercely intensive; the interest groups began the omnifarious lobbying common to representative democracies (Cheng & Chu, 1999). To consolidate its leading position, the KMT government got involved in numerous corruption scandals including illegal sharing of interests with its clients, pork-barrel politics, vote buying, rent-seeking activities and gangsters-related crimes. These scandals eventually incurred the resentment of civil society and this sentiment reached a head in 2000.<sup>224</sup> As Roy (2003) indicates it was domestic issues such as social welfare, corruption and law and order, not cross-strait relations that led to the defeat of the KMT in 2000 and the handover of power to the DPP.

From the perspective of civil society, the transition of authority power also demonstrated that ideological emancipation empowered by the media liberalization coupled with the growing autonomous power of political (military) and economic power resources all contributed giving Taiwanese civil society the reflexivity to decide its future. Media pluralism contributed to the emancipation from an authoritarian ideology; and media liberalization builds up civil society with power of reflexivity to resist the penetration and intervention of the KMT. Both of them empower civil society with more autonomous power and reflexive dynamic in the process of democracy consolidation.

### *6.1.2 The glorious economic growth coupled with inequity and unbalance*

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<sup>224</sup> Several horrified politician-gangster-related crimes happened after 1994: One gangster leader was shot, in front of his mother, by the Pingtung County Council speaker, Cheng Tai-chi (KMT), for being unable to hand over a 'protection fee' for his illegal casino in 1994. The worst gang related political assassination and mass-murder in Taiwan history occurred in 1996. The magistrate of Tao-yuan County, Liu Pang-yu (KMT) and eight associates were shot in their head in Liu's home. Following this case was the rape and murder of a prominent feminist Peng Wan-Ju in the same year. These two cases remain unclosed up to today. A gang's spiritual adviser Luo Fu-tsu won a position as as-chairman of the Legislative Yuan's judicial committee, 1997. Legislator Liao Hsueh-kuang was kidnapped and imprisoned in a dog cage in a remote mountain area after he publicly criticized gangs leaders and harmed gang interest in 1997. In 1999, in the tremendous 921 earthquake, over 3000 people died at the moment of earthquake which property damage of million of people. The KMT government was seen as being unable to handle the disaster and incapable of rescuing people from homelessness and hunger. The KMT lost power in Mar. 2000 (see Fell, 2005; Roy, 2003).



This subsection will be divided into two parts to elucidate two main pre-setting criteria in Table 2.1 (p. 82-3) to evaluate the economic power resources of civil society. One concerns income levels; the other is educational levels. In the first part, I will explore the income-related problems not simply from the ostensible meaning of statistic-generalized data, e.g. GNP or economic growth rates; rather I will delve into other social or income related index and data to uncover the deepened reality that lay behind the surfaced economic data. According to the first part analysis, the second part of this subsection, I will expatiate how education and economic prosperity combined to strength elements of civil society and raised expectations on the part of citizens, and how they facilitate resistance of civil society to the state in the late 1990s.

#### 6.1.2.1 The social welfare demands arose after the democratization and industrialization

As highlighted in the Table 5.2 (p.192), Taiwan maintained impressive economic growth through the last two decades of the 20<sup>th</sup> century. From a macroeconomic perspective, the KMT government did well in providing the private sectors with a sustainable business environment and infrastructures for competing in the global market. This economic prosperity and low unemployment rate continued to be maintained through the whole of the 1990s. However, these pro-market prerequisites were established on institutional distortions that inhibited organized labour unions, suppressed civil rights and sacrificed civil welfare rights in a package of development-purported policies (Chu, 1996; Huang, 1995a, 1995b, 2002). Therefore, Taiwanese economic growth was based on a symbiosis and co-alliance relationship between the state and capitalists, although this relationship was “vertical-asymmetrically interdependent” and “unequal” (Huang, 2002: 3), since the state played a decisive and leading role over the private sector. In the hierarchic constellation in Figure 4.5 (p.160), the state-party and domestic enterprises squeezed civil society and the labouring classes to impose their intended policies for economic development.



Consequently, economic growth enriched civil society and it fed back political legitimacy to the state. Social policy was subordinated to supply-side considerations and it was taken for granted that social risks were supposed to be absorbed by households (family). As such, even though these weak actors were excluded from the state-capital symbiosis, they still formed a broad distributional coalition and firm social base that benefited from the state-capital symbiosis and supported the KMT regime. The peasants were gratified by land-reform and the agricultural subsidy policy, and workers were satisfied with full employment and increasing wages.<sup>225</sup> Warfare and international support provided legitimacy for the state to develop into a “Listian welfare state” by 1980 (Jessop, 1999: 32). Therefore, distribution problems and civil social rights were minimized and repressed ‘smoothly’ under the overarching developmentalism. However, as the democratization was conducive to the political participation of actors that had previously been excluded from state-capital symbiosis, the distribution and urbanized problems became catalysts to challenge the KMT’s accumulation and social policy (Bosco, 1998).

During the period of export-oriented industrialization, domestic consumptions were suppressed by high-interest and low-wage policies. The state encouraged investment and reinvestment activities for furthering capital accumulation, but strictly limited domestic consumption (Sum, 2002). Hence, the high saving rates and high foreign exchange reserves by 1990 were unsurprising. As indicated in Table 5.2 (p.192), there was a tripling in the growth of Taiwanese per capita GNP from 1987 (5,298 US \$ ) to 2000 (14, 214 US \$ ); the GDP growth rate kept climbing steadily and the unemployment average remained low during the same period.

However, what these statistics do not show is the dark side of this egalitarian and wealthy developmental state. As democratization speeded in the late 1980s, the distribution issue became more vital for the legitimation of the KMT regime. Coupled with the rapid economic growth, the gaps between income levels enlarged and the redistribution problem was exacerbated. Demands on social welfare and income

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<sup>225</sup> That’s why Evans refers that economic growth is far more than welfare and distribution in the developing countries (Evans, 1995).



distribution problems forced the KMT party-state to change its pro-capitalist and low-wage policy.

Table 6.2 synthesizes indexes related to civil society from 1987-2000. Urbanization and distribution problems became compounded into more difficult situations for the KMT government to confront after political liberalization (Bosco, 1998). Some difficulties began to emerge that could not be resolved by the workfare developmental legacies in a democracy. As investigated in 5.2.2.2 (p.194), the agricultural sector share in GDP decreased sharply from 5.5% in 1987 to near 2.0% in 2000, and the ratio of the agricultural sector in employment remained stable from 8.5% to 7% in 2000; the agricultural population was over 17% in 2000 (Li, 2004). Hence, the agricultural population can play a decisive role in various elections. On the other hand, the increase in the urban population and low-waged manufacturing workers also became an important base for the KMT to maintain its legitimation in a transformative democratic regime during the same period. Hence, both of these groups that were excluded from the KMT's state-capital symbiosis before began to be empowered with bargaining capacities vis-a-vis the government.

Therefore, the KMT government was forced to compromise with these formerly weak groups in society and promised to expand welfare and social security policies to these constituencies in exchange for their loyalty. However, the strategies KMT chose were not to transfer these welfare costs to the capitalists or increase the tax burden on the bourgeoisie and middle class. In order to win elections, "the state has fluctuated openly back and forth from the capital's demand for a growth-oriented productivist state to labour's welfare state" (Huang, 2002: 16). Obviously, it attempted to assume a taking all in strategy that could simultaneously satisfy both capitalists and the weak classes (Huang, 2002a, 2002b).<sup>226</sup>

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<sup>226</sup> The KMT party-state began to "be caught in and oscillated between pro-capital and pro-labour policies during the late 1980s and early 1990s". (Huang, 2002: 16).



Table-6.2 Indexes relating to state capacity, social security and stability

Year	Education, Science & Culture Net Expenditures of all level of government(%)	Social Security Net Expenditures of all level of governmente (%)	Total Surplus or Deficit Of Expenditure of all level of Government (%)	Outstanding Debts of GDP (%)	Tax Burden as Percent of GDP (%)	Distribution of Income (Gini)	Literacy (%)
1987	20.8	16.1	1.29	2.28	15.59	4.69	8.76
1988	20.3	18.2	5.36	4.11	17.11	4.85	8.34
1989	17.0	12.7	-23.67	5.10	18.28	4.95	7.98
1990	20.7	18.6	-0.47	4.83	19.04	5.18	7.59
1991	22.6	18.8	-17.69	5.84	17.76	4.97	7.15
1992	20.8	18.8	-19.49	11.14	18.83	5.24	6.84
1993	19.9	18.2	-19.36	14.22	17.81	5.42	6.59
1994	20.9	19.2	-17.72	14.79	17.98	5.38	6.26
1995	18.7	21.7	-18.36	16.38	17.00	5.34	5.99
1996	20.3	26.9	-13.00	16.71	15.30	5.38	5.68
1997	20.0	28.9	-9.26	17.35	16.24	5.41	5.34
1998	20.7	27.4	3.05	15.95	15.24	5.51	5.08
1999	20.9	26.9	-2.22	14.61	14.19	5.50	4.72
2000	20.9	28.7	-11.34	25.64	13.76	5.55	4.45

Sources: <http://www.dgbas.gov.tw>

Note: The distribution of income is calculated by the ratio of the highest fifth's household incomes to the lowest fifth's household incomes.

Table 6.2 clearly indicates, even though the social security expenditure almost doubled from 16.1% (1987) to 28.7% (2000); the tax burden share in GDP remained at the same level during the whole 1990s. By the eve of the presidential election in 2000, tax revenue and the tax ratio was even reduced to 13.76% to please the voters. As Huang further identifies, not only did the revenue extraction capacity of the Taiwanese state obviously declined after 1987, the ratio of tax to GNP was much lower than other developing countries. Moreover, the tax resource enjoyed by levying on monopoly goods gradually slumped from 7.1% to 2.8% in the same period (Huang, 2002; 2003). Further, in order to survive in the competitive global market, reductions on custom duties and indirect taxes were indispensable policy tools for Taiwanese national developmentalism.<sup>227</sup> In sum, the state capacities for resource extraction and

<sup>227</sup> The tax resource share from direct taxes was 26.8% in 1987, and it climbed to 37.6% in 2000. The share of income tax was 19.8% in 1987, and increased to 31.6% in 2000. However, the income tax rate remained stable across the 1990s and even was reduced from 1997 to 2000. Hence, tax bases shrank from both indirect and direct taxes. However, the scale of the revenue pie was enlarged in the same period for welfare policy and infrastructural construction. That's why Taiwan turned itself from a revenue surplus state to a debited state with high revenue deficit within a decade. See <http://www.dgbas.gov.tw>; The statistic data of Ministry of Finance, 2003.



materials mobilization and accumulation decreased tremendously during democratization and globalization. That is to say the Taiwanese developmental state failed to continue in its most important capacity of implementing revenue extraction by any measures.

In this situation, the increased spending for these social security expenditures and other supply-side policies were confined two financial resources. One was to increase the budget deficit; the other was to request the private sector, mostly SMEs, to contribute to insurance and pension funds for labour (see Bosco, 1998). In Table 6.2, there is sufficient evidence to demonstrate how the Taiwanese developmental state with an abundant capital surplus in the 1980s turned into a 'welfare state' with increasing deficits due to expenditure and outstanding debt since its democratization.

In sum, from a macro-economic perspective, the economic growth rate and increase of GNP demonstrate that the economy as a whole performed well during 1987-2000. The economic growth of the Taiwanese developmental state was impressive on the surface. However, capital accumulation was mainly centralized into the hands of the capitalists and middle class. However, democracy inevitably coupled with demands for redistribution and expansion on social welfare (see Olson, 2006). What the state just simply repressed and ignored during the authoritarian regime began to challenge the legitimation of the KMT party-state.

#### 6.1.2.2 The rising demands of civil welfare rights and the consolidation of democracy

The expansions of social security and welfare did not resolve but merely mitigated social tension caused by the marginalization of the agricultural sector and the growing unemployment in labour-intensive sectors that had gradually lost competitive advantages in the global market. Table 6.3 profiles the distribution by district of elderly pension receivers from 1998-2001. It provides a generalized demographic profile of Taiwanese agriculture. As indicated, the more the district engaged in agricultural activities the percentage of elderly who benefited from the pension



project increase in the same district.<sup>228</sup> As emphasized in Chapter Four, the mass-media did not have much influence on ideology at the grassroots level since most of them were illiterate or not well-educated. However, they were loyal audiences for the illegal short-range radio stations that generally ran medical business services and broadcasted anti-KMT propaganda during their working hours on air.<sup>229</sup> Most of these illegal stations were supporters of the DPP (Lee, 2000). Hence, the DPP were able to take credit for ‘accomplishments of various opposition movements’ including pension projects. Most of the peasants believe it is the DPP who take care of them (Rigger, 1999; Roy 2003). They deeply believe that without the DPP the struggle to launch the welfare agenda, would have been impossible for the KMT to compromise on their welfare-expansion policy.

Seen from a generalized profile, the average pensioner ratio fluctuated approximately from 39% to 43% (about 2 million) of the elderly during 1994-2000. Table 6.3 also presents the ratio of pensioners by districts. It clearly shows that the ratio of pensioners in agricultural districts was far more than those in northern district. However, the population of the northern districts was far beyond the other districts.<sup>230</sup> The statistic data also reveals that household income level of northern districts is higher than other districts. The northern population centralization is caused by the Taipei metropolitan and area some industrialized cities clustered there. These cities are mainly engaged in commercial, service, light and high-technology industries that attract highly educated people to stay.

By contrast, agricultural activities, labour-intensive industries and SMEs are centered mainly in the south and central districts or the margins of northern districts. These

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<sup>228</sup> The Taiwanese pensioners project (including elderly peasants) here indicates those were excluded from the ‘national civil service pensioners project’ and ‘military pensioners project’, e.g. peasants, temporary and unskilled labour, and the unemployed population. Hence, it is a pervasive civil pensioner project.

<sup>229</sup> By the end of 1997, there were still an estimated 80-90 underground illegal radio stations that defied state policy. Most of them were in the southern and central districts (see Rawnsley & Rawnsley, 2000, 2001). Technically, it was difficult to deter them from operating on illegal frequencies.

<sup>230</sup> The major dwellers in the East district are aborigines and retired KMT soldiers from mainland China.



areas were particularly vulnerable to SMEs pollution because the government did not monitor the situation in the countryside (Tang & Tang, 1997). Further, the level of human resources in these districts was obviously lower than those in the north district. In 1988, more than four thousand farmers from southern and central districts gathered for a street demonstration in Taipei. They requested health insurance, the lowering of prices of government-supplied fertilizer and protested about the KMT's compromise over the US dumping agricultural products (Roy, 2003). The asymmetric development between rural and urban districts had led to different demands on social welfare provisions and feelings of being excluded among the weak classes. It can be definitely inferred that welfare provisions mean more to the southerners than to the northerners. This also can be used to explain why the DPP have won a lot more local authority elections in the southern and central districts than in northern since 1990.

The illiteracy ratio, as shown in Table 5.2 (p.192), had been reduced from 9.18% in 1987 to 4.52% in 2000. Moreover, the percentage of students in higher education had increased from 86.02% in 1991 to 98.32% in 2000. That means that teenagers who have not had a higher education (college, university and above) degree are exceptional since 1990. Having a well-educated populace not only contributes to the economic system but also consolidates democracy. Moreover, the pluralistic media and new communication technology accelerated the spread of democratic ideas. Civil society had progressed from requesting expansion of their political rights to demanding welfare rights. Table 6.4 shows the number of strikes in Taiwan from 1984 to 1998. As a result of upgraded educational levels, secondary and tertiary workers were no more satisfied with repressed wages that did not reflect the real economic growth of Taiwan. They saw no reason to suppress wage levels for capitalist interests. As Chu argues "democratization, in conferring on workers the formal prerogative of pursuing their rights, open a Pandora's box of labour conflicts that confronted the state and capital directly"(Chu, 1996:506-7). The purposes of most strikes or disputes were demands for wage increase and end-of-year bonuses (Buchanan & Nicholls, 2003; Chu, 1996).

Just as SMEs were forced to move overseas massively for cost considerations, Taiwan



got entrance into GATT in 1992. This impacted tremendously on the export sectors and domestic market. For most SMEs, cost reduction is the most important competitive strategy for their survival in the global market.<sup>231</sup> The owners of SMEs in Taiwan are generally categorized as middle class in civil society and are generally well-educated. As analyzed in Chapter Five, as the investment environment in Taiwan became no longer stable, low-cost or secure for the SMEs, they voted with their feet, resisting the state constraints on investing in China. This shows that the sound socio-economic base provided by the KMT developmental regime helped forge their autonomous strategies according to their own interests and benefits. As SMEs moved overseas, a rising ratio on unemployment in labour-intensive industries was inevitable and severely struck the economic base of rural districts, especially the southern and central districts. The struggles between capitalists and labour also meant one of the most important prerequisites of a developmental model had eroded or weakened at least, due to globalization.

As Hsiao and Winckler point out the most notable feature of Taiwan are the differences between the rural and urban systems rather than the class division within them; as class consciousness had not yet developed by the end of the 1980s (Hsiao, 1990; Winckler, 1992). From the data shown in Table 6.3, it is reasonable to infer the unbalanced (asymmetrical) development and urbanization problems such as the marginalization, unemployment, redistribution or social-welfare provisions coupled along with modernization might encourage a strong desire for increased domestic consumption. The parallels are just like the 'hollowing out effect' for business discussed in 5.2.2.2 (p.194). Depending on various measures of social welfare, the weakest classes (labour and peasants) in the southern and central districts might easily be propagandized or manipulated by a partisan 'inseparable preference package'<sup>232</sup> that attempts to bracket welfare provisions with other political purposes.

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<sup>231</sup> The owner-operators business mode of SMEs means the Taiwanese private sectors are decentralized and also implies they are flexible on entrance or exit in markets and find it easier to reallocate their plants overseas.

<sup>232</sup> I should thank my Ph. D. colleague Dr. Min Sue for discussing the concept of 'inseparable preferences package' with me.



There is a lot of research on the Taiwanese labour movements that posits that the class stratification effect in Taiwan was not significant since labour unions and organizations were and are still not well organized. The weak labour unions were excluded from the decision-making process even after the lifting of martial law (Huang, 1995, 2002).<sup>233</sup> Hence, low-skilled or unskilled labour in Taiwan has played only a marginal, insignificant role in the political and social processes (Chu, 1996). The only avenue for them to press for their interests was through the universal suffrage of a democracy. Table 6.4 shows number of strikes from 1984 to 1998, and it can be seen that from the numbers of strikes and workers involved increased dramatically. However, the causes of most labour strikes were wage disputes, not issues of class struggle (Buchanan & Nicholls, 2003, Huang, 2002).

Table-6.3 The ratio of aged pensioner, population and household income level by districts, 1998-2000.<sup>234</sup>

Year	District	Ratio of Aged Pensioners Vs. Aged Dwellers(%)	Household Income(NT\$) (District Ave. per Year)	The populace ratio of district (%)_
1998	North	15.72%	1,387,287	44.77%
	Middle	49.12%	1,000,364	22.06%
	South	42.34%	931,033	30.25%
	East	48.17%	816,447	2.89%
1999	North	27.78%	1,229,092	43.22%
	Middle	57.19%	1,037,709	25.45%
	South	49.06%	933,248	28.57%
	East	52.93%	835,295	2.74%
2000	North	30.14%	1,260,108	43.24%
	Middle	60.30%	968,878	25.41%
	South	51.06%	977,874	28.59%
	East	56.87%	884,611	2.75%

Source: Calculated from <http://www.dgbas.gov.tw>

<sup>233</sup> As the special flexibility and production mode of SMEs, most of the labour in these businesses are in temporary-offered positions and can not to organize or mobilize themselves, especially women without special skills.

<sup>234</sup> The aged began to be included in formal governmental statistical data after 1998. see <http://www.dgbas.gov.tw/dgbas03/bs8/city/CityInside1.asp>



Table-6.4 Strikes in Taiwan, 1984-1998

Year	Number of strikes	Number of workers involved
1984	907	9,000
1985	1,443	15,000
1986	1,485	11,000
1987	1,609	16,000
1988	1,314	24,000
1989	1,943	62,000
1990	1,860	34,000
1991	1,810	13,000
1992	1,803	12,000
1993	1,878	38,000
1994	2,061	31,000
1995	2,271	27,000
1996	2,659	22,000
1997	2,600	81,000
1998	4,138	104,000

Source: Jooueon Jeong, Foreign Labour Statistical Figures, South Korean Labour Institute, 2000: 108-9, cited in Buchanan & Nicholls, 2003: 227.

However, following Lee Teng-hui's, leader of the KMT, line of reasoning, the difficulties and miseries that Taiwanese confronted were mostly due to mainlanders' suppression or the diplomatic isolation by China's bullying (Hughes, 1997). The Taiwanese collective memories of exploitation and deprivation by mainland intruders and dissatisfactions with being marginalized from the 'northern politico-economic center' controlled by mainlanders were enough for peasants and workers in southern districts to accept the 'national security and Taiwanese identity' package posed by the KMT (late Lee Teng-hui Administration, 1995-2000) or the anti-KMT and anti-China strategy by the DPP. Hence, Taiwanese national identity was an artificial construct that embedded a number of contradictions. It attempted to suppress class and ethnic differences by emphasizing national unity around the cause of Taiwanese sovereignty (Hughes, 1997).

The Taiwanese identity issue has provoked many academic and practical discussions, however few of them to reveal the realities on how it was forged within a decade (1992-2000). Too much of them draw attention to the "inherited rivalry" (see Cheng, Huang and Wu, 1995) between Taiwan and China and the significance of the new emerging Taiwanese identity (Hughes, 1997). However, the debate is difficult to map, as overlapping positions conceal a clear divide between the protagonists in the debate.



To these contributors, the focus on 'high politics' seem to provide more persuasive answers to apply to the newly emerging issue of Taiwanese identity and reflect the hostile cross-straits situation. However, I do not agree with this simplification of the Taiwanese identity issue by confining it with discussion on high politics, especially those with an international slant. As Lee and Hsu point out, there was no significant evidence of the rise of southern politic in Taiwan (Lee &Hsu, 2001). It would be more appropriate to suggest that southern constituencies might swing more in various elections according to their preferences and interests. The growing support for opposition parties does not equate to support of independence. As such, it is the expectations on 'equity', 'equality' and 'autonomy' and feeling of marginalization, but not Taiwanese national identity that brought the labour and peasants onto the same road to against the KMT or China.

As mentioned earlier, the cross-straits and Taiwanese identity issues are not the major points in this thesis. I do not downplay the importance of these discussions. I am attempting to provide a more deliberated insight on how the primary developmental model and its constructive prerequisites had incurred the unintended and unpredicted consequence of developing the lower social classes. This can alter the orientation of a representative democracy. It also can change the domestic constituency for a state's foreign policy (Putnam, 1988).

One facet of the authoritarian developmental state was suppression on various civil rights, especially those of labour and peasants for social mobilization under nationalism. However, in a representative democracy, these mass social constituents are vital for the legitimation of the state especially on the redistribution issue. However, redistribution by means of transfer or welfare policies was not the panacea for resolving the problem of social resistance. The failure of the KMT in 2000 demonstrates this point. Therefore, if the government can not resolve the contradictions between development and democracy and between accumulation and redistribution, there will be no reason to believe the developmental state model can continue. That is to say the points are how the state can rejuvenate its economic strategy and whether it can forge a new mode of governance. As said, national



security and welfare policy might probably mitigate social risks however they are not antidotes to the substantial crises the developmental state faces.

### *6.1.3 The emancipation of civil society from military and political dominance*

The lifting of martial law signified that Taiwanese had made positive progress towards civil political, ideological and economic autonomous powers that were free from any inward military censorship and oppression. Before the deregulation, there were some spontaneous and de-politicized social movements that kept the distance from the DPP in the mid-1980s. However, the booming social movements and street demonstrations were inevitably aligned with DPP strategies in the 1990s since they shared a common target—the authoritative KMT regime. Covered with “the political opposition movement, the social movement aimed to transform authoritarian rule and its policies” (Shiau, 1999: 109). However, it was not until the rewriting of Article 100 of the Criminal Code and the abolition of the TGC in 1992 that ordinary civilians and intellectuals began to be confident of their own safety and citizenship rights in participation in the street demonstrations. As such, street demonstrations and social movements began to flourish and pluralistically develop in the 1990s.

As mentioned previously the purported objectives of most social movements were confined to their requests within the institutional arrangements. “There was a dividing line between the political and social protest movements” (Fulda, 2002: 376). Civil society chose an incremental strategy of involution but not revolution (Hsiao, 1990). Hsiao further identifies this as “the most significant collective sentiment expressed in most of the emerging social movements has been a feeling of ‘victim consciousness’, the ‘feeling of being ignored and excluded’” (Hsiao, 1990: 178). Investigations of the agendas of various social movements from the mid-1980s to 2000, revealed that civil society was concerned more with social security issues than political ones. The most significant cases were those that concerned to environmental pollution, nuclear power, labour rights, aboriginal rights, farmers rights and ‘anti-black-money politics’ (gang, crime and corruption) movements. Some significant cases are discussed below.



### 6.1.3.1 Anti-pollution movements

Along with economic growth, Taiwan suffered from serious environmental degradation from the 1970s. However, the degradation did not get much attention in the initial years since local residents were benefiting from the fast pace of industrialization. Protecting the environment had been a low priority during the early decades of KMT rule. The construction of large, polluting factories gave the inhabitants around them more stable opportunities of employment. Residents in rural or less developed districts welcomed and celebrated these constructions in their local communities without resistance. It was not until the early 1980s, that widespread dissatisfaction with environmental degradation began to surface (Roy, 2003; Tang & Tang, 1997). From 1986 to 2000, large scale anti-pollution protest movements came up against state economic policy. In the era of martial law, it was impossible for citizens to initiate protest movements against the government; any protest resulted in prosecution on charge of sedition or violation of national security.

In 1986, the environmental protest movement began to emerge when the citizens in Lukang (central Taiwan) protested that their hometown would be degraded by the construction of DuPont petrochemical plant. The result of a DuPont incident was DuPont's voluntary withdrawal of construction plans. Taiwanese began to learn that if citizens are determined and well-organized, they can achieve their collective objectives (Tang & Tang, 1997). However, it also signified that the KMT government's authority had been challenged by the citizen's autonomous will. There was vigorous resistance to the construction of the fifth naphtha cracker in the southern city of Kaohsiung in 1988; the construction of the sixth naphtha cracker invested in by Formosa Plastic and Petrochemical Group in I-lan (east-north district) in 1986, the local anti-nuclear referendums on the forth nuclear power plant in Taipei and Ilan counties in 1994; and the construction of an upstream chemical materials plant by Bayer in 1997 in Tai-chung County (Ho, 2003; Roy, 2003; Tang & Tang, 1997; Wright, 1999). In all these cases, the citizens won. As a result of confronting frustration to construct the naphtha cracker, Formosa Plastic and Petrochemical Group moved the new plant project to southeastern China,



The successes of these cases depended on cooperation between local government, opposition parties and citizens. As such, these cases presented severe challenges to KMT authority because the protests were all directed at major industrial projects supported by all major economic ministries. The targets of these protests were state-owned enterprises or big private enterprises supported by the KMT regime.<sup>235</sup> The success of these movements explicitly signified that the KMT had begun to lose 'deposit' power on controlling economic policy, materials mobilization, local authority, and civil society. Democratization opened access to formal processes, such as participating in electoral politics and directly lobbying legislators who represent local interests. Moreover, the implicit meaning of the state's defeat in these cases was that the penetration of KMT's Leninist organization was waning in the new democracy. The absolute vertically hierarchic authority of the KMT also began to dismantle. In this sense, it deserves to be asked: if a developmental state loses its capacity to implement its major economic or industrial policies, is it still a developmental state?

#### 6.1.3.2 The student 'Month of March movement' in 1990

The Tiananmen Square incident in mainland China in 1989 cast a heavy stone into the political pond in Taipei. As Lee Teng-hui assumed post as president, he confronted with a power struggle between intra-party factions. Since most seats in the Legislative Yuan and National Assembly had long been occupied by the mainland-elected senior legislators, their hostility toward the native Taiwanese president was to be expected. As they voted to give the members in both institutions a substantial raise<sup>236</sup> and elected a ninety-three-year-old chairman in 1990, the anger and fear of civil society came to a head (Roy, 2003). Images of these senior legislators and parliamentarians

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<sup>235</sup> As usual, the original plan of the KMT was to control the upstream petrochemical material, however the failure of these constructions caused great impact and challenge on KMT's authority. These long-seated members "met only once every six years unless called for a special sessions. However, they collected an annual salary equivalent to US \$43,000, plus up to \$250 per diem while the assembly was in session" (Roy, 2003: 190).

<sup>236</sup> These long-seated members "met only once every six years unless called for a special sessions. However, they collected an annual salary equivalent to US \$43,000, plus up to \$250 per diem while the assembly was in session" (Roy, 2003: 190).



carrying breathing inhalers or syringes (most over 90 year-old) preparing to revive the constitution and getting involved in fierce verbal or even physical clashes with opposition partisans were repeatedly broadcast on TV. Many citizens were horrified and it engendered great anger and hatred in society. Concerned with the possibility of KMT domination by conservative mainlanders with military backgrounds and fears of returning to military authoritarianism, university students donned headbands carrying political slogan and began to occupy the Chiang Kai-shek Memorial Park and went on hunger strikes and sit-ins (Roy, 2003; Wright, 1999).

It was estimated that over thirty thousand students participated in the Month of March movement, from both senior high schools and universities. They demanded the abolition of the National Assembly, the Temporary Provisions, the retirement of the mainlander parliamentarians elected for life, constitutional reforms and a schedule for political liberalization and a national affairs conference (Hughes, 1997; Roy, 2003). The movement supported by numerous citizens, journalists, the mass media, celebrities, professors, the DPP, and even the young reformers in the KMT (Roy, 2003).

The student movement inspired widespread imitation in society. Finally, the Council of Grand Justices sealed the seats of the mainland-elected members of the National Assembly, Legislative Yuan and Control Yuan in 1990 and forced them to retire by the end of 1991. The Constitutional Temporary Provision was abolished in 1991. Members of the National Assembly and Legislative Yuan were directly elected by residents of Taiwan area in 1991-2, and the first direct presidential election was held in March of 1996 (Hughes, 1997; Roy, 2003; Wright, 1999).

#### 6.1.3.3 Protests against crime and the anti-gangsters movement

The resentment toward the KMT in society culminated when a famous TV show hostess's seventeen-year-old daughter was kidnapped and murdered by a gang in 1996 (Roy, 2003). As most of the police budget went toward riot control and protection of officials rather than preventing crimes against ordinary civilians, added to the



increasing rate of child kidnappings (just behind the Philippines as highest in the world) and ‘black-money’ corruption the public’s fear, anger and outrage was understandable. President Lee responded to this by saying “the ROC’s foreign relations were more important than the death of a schoolgirl” to the KMT’s Central Standing Committee. What seemed important to Lee was how to consolidate his own political power and how to forge a new Taiwanese identity (Roy, 2003).<sup>237</sup> Lee’s statement evoked fury in society.

At the end of 1996, ten of thousands of citizens took part in a spontaneous and un-mobilized street protest in Taipei. The dissatisfaction toward Lee’s Administration caused upheaval. The Justice Minister, Ma Ying-juo (the current KMT chairman since 2005), resigned his cabinet post and said he felt ashamed to a part of a government that can not protect civilians from crime and fear (see Roy, 2003). In 2000, the KMT was defeated in a presidential election by the DPP. The reflective democracy was consolidated with full civil and political, and limited welfare rights for civil society.

#### *6.1.4 Conclusion-the compartmented trajectories of IEMP power networks in civil society*

Democratization is an inclusive process in which various social forces are integrated into the political process in their spatio-temporal contexts. The compartmented trajectories inside civil society in Taiwan were evidence that state-society relations are dynamic; however the relations of power resources of social actors are contingently established on unintended or unpredictable intervening effects (Bosco,1998). The evidence presented in the former sections shows that citizen rights in Taiwan did not develop following a similar pace to Pierson’s trajectories (Pierson, 1991). As a late developing state, citizen rights in Taiwan seemed to unfold in more compartmented trajectories.

Reviewing these compartmentalized trajectories we can clearly see the evolution of

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<sup>237</sup> Historical stature and consolidated political power were (are) Lee Teng-hui’s greatest concerns, even his retire from president in 2000.



Taiwanese citizenship from limited citizenship based on constrained civil rights and the protection of private property in the 1950s. These constrained civil rights simultaneously were coupled with limited political rights (voting rights for local authorities and representatives) and social rights (labour and public employers' welfare). Under the commitment to developmentalism, social rights and welfare were reduced to a minimum. However, the earliest prevailing social right in Taiwan still remained compulsory free primary education launched by the Japanese colonized government, which the KMT government later expanded to the secondary high school (1968) and senior junior school (1988). The reason for heavy investment in social measures such as education and human resource training were the potential payback in terms of for economic productivity. As a whole, citizen rights were weakest in the 1950s due to the strong party-state and limited capitalist class. This situation constructed a hierarchic power constellation that enabled the state to occupy a dominant position over private sector and civil society.

Civil society, nurtured by the economic growth, began to become dissatisfied with limitations on civil and political rights, especially the Taiwanese inferior position to the mainlanders. These dissatisfactions were encouraged and stirred up by the underground guerrilla media and press in the late 1970s. Therefore, the struggle for more civil and political rights was concealed under a process of stable and speedy capital accumulation from vigorous exporting through the whole 1980s. However, as the movement against constrained political rights was precipitated by improvements in communicative technology and more economic autonomous power in late 1980s, the focus inevitably turned to calling for comprehensive political liberalization and freedom from inward military suppression. In this sense, the democratization of Taiwan was accomplished under pressure from both globalization and civil society. Under these circumstances, the political liberalization further brought in another wave of demands for the expansion of citizen rights from political and civil rights to the inclusion of welfare provisions and social security in the 1990s.

As a whole, the development of Taiwanese citizenship rights progressed in segmented compartmentalized trajectories according to its specific spatio-temporal fixes.



However, in these compartmentalized trajectories, the destination of a capitalist democracy can be identified. In a capitalist democracy, without welfare provisions and security, citizen rights are not comprehensive. In the trajectories of Taiwanese citizenship, we can discern that civil society has fully fledged power resources in terms of ideological emancipation and political liberalization. However, it is still moderately weak against internal-military policies of the state and capitalist ‘exploitation’ through globalization. These weaknesses give a chance for the state to implicitly bracket social preferences into other policy packages for political purposes or national security. Hence, the mission for continuing the developmental state model needs not only to resolve the economic problems (accumulation) but also should not exclude the redistribution problems concerning the legitimation of the state.

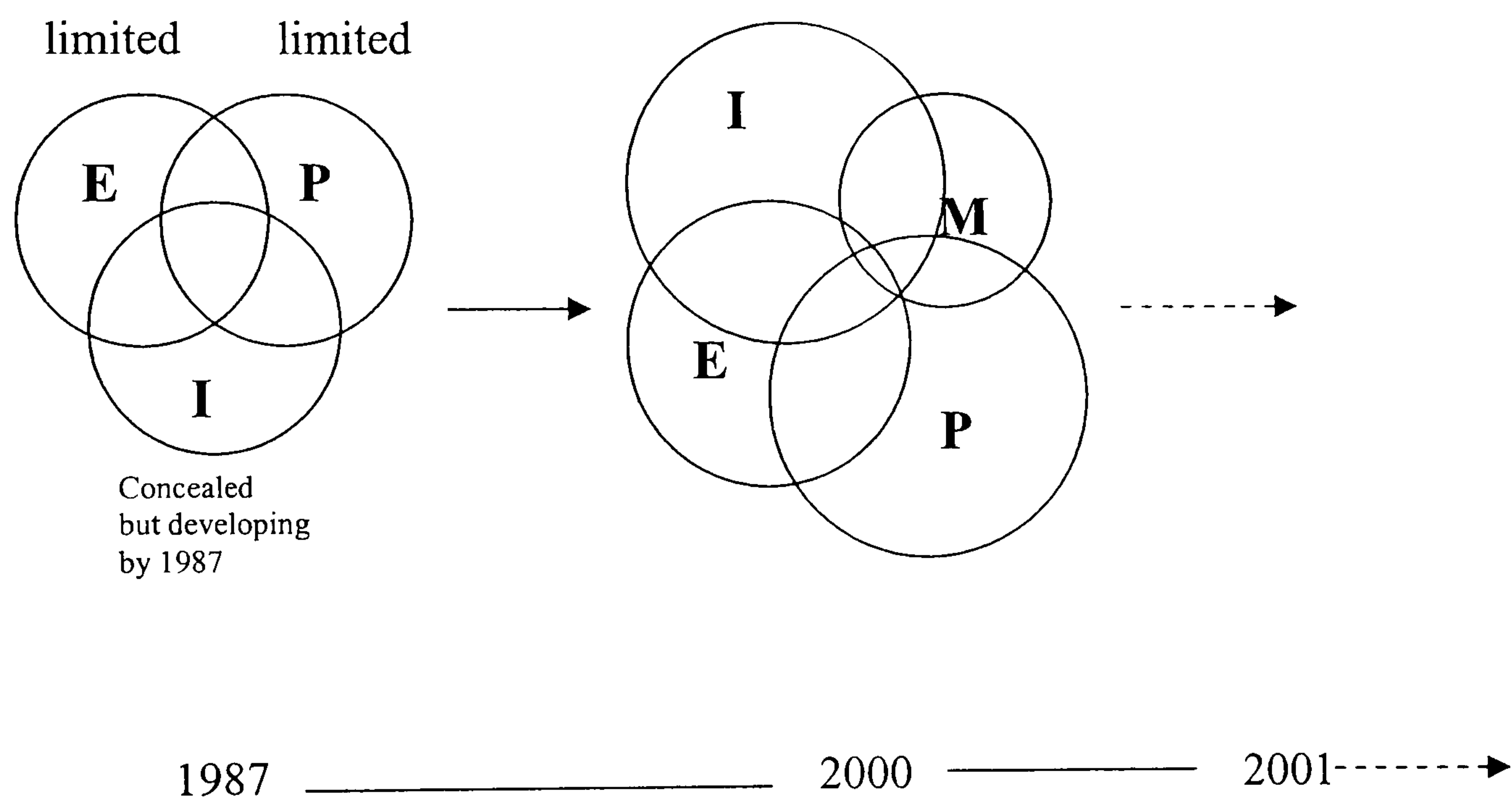


Figure 6.1 Trajectory of Civil Society in IEMP, 1987-2000.

Figure 6.1 shows the compartmentalized trajectories of Taiwanese civil society in IEMP model. In the IEMP power trajectories of civil society, civil society unfolded with limited political and economic power resources in the 1950s, but was without military-resistant power in the martial law era. As such, its ideological power was developed in a concealed approach hidden in growing economic power and the underground media. However, the economic power resources nurtured by the economic growth and the political power resources strengthened by the democratization and social movements across through the 1990s facilitated the



furthering ideological, political and economic liberalization and emancipation of civil society. The internal military intervention of the state is reduced but concealed within the *normalized* policy. The major economic power resources transferred from the state to the private sector that intensively integrates with the global market.

## **Section 6.2: Resistance of the state to resistances**

Based on investigations of the changing power resources of resistance to the state (the international system, development of domestic capitalism and civil society), this section will set out to investigate the state's IEMP power resources and state resistance to social forces of resistances in the double squeezes of globalization and democracy. Both of them have cast challenges to the boundaries of the state in the orthodox developmental state model.

As posed in Figure 2.3 (p.75), there are four criteria for assessing state resistance: institutional inertia, path dependence, new trajectories and new mode of governance. The resistance of the state will be explored by delving into its IEMP power resources in terms of these criteria and the strategies the state deployed. As an active agent, the politicians are generally constrained by autonomous power resources and the capacity to implement their policies; however the state authorities and state strategies are improbably confined within these constraints since they might have other calculus and purposes beyond the visible intentions.<sup>238</sup> As such, from investigation of state's power resources we can infer the state's capacities and the scope of its resistance to its resistances. Moreover, the intentions of those in power can be discerned and identified through the preceding established criteria. As a whole, by scrutinizing power resources of the state and the criteria of its resistance, we can infer elements of continuity and discontinuity in the strategies of the developmental state.

This section will proceed in five subsections. The first four subsections will in turn

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<sup>238</sup> There are also gap between the intentions and capacities of state agency. The consequences of state strategies are generally contingent, unpredictable and unintended ones that beyond the control of the state (see Hay, 2002).



analyze the IEMP power resources and strategies of the state in responding to its resistance. The last subsection will posit a brief conclusion and delineate the trajectory of Taiwanese developmental state in IEMP model.

### *6.2.1 The displacement of national developmentalism by ideological pluralism*

The dominant ideology of nationalism and developmentalism in Taiwan were eroded by double squeezes of international liberalism and democratization from the mid-1980. However, the hostile rivalry between Taiwan and China made room for warfare economic nationalism and provided a window of opportunity to forge a new national identity to ‘unify’ a political coalition against countervailing domestic contradictions and power struggles. However, these intentions of the KMT authorities were challenged by the domestic enterprises, civil society and even those state bureaucrats who do not conform to state imperatives.

As mentioned earlier, the pluralistic mass media and alternative media gradually replaced the KMT party-state dominated media in the late 1980s. During the fierce KMT intra-party power struggle from 1990-1993, it can generally be seen that the state-party controlled big media-TV stations and newspapers affiliated with particular factions and reported their agendas favourably. By 1996, Lee’s administration successfully deployed a ‘consolidation of democracy agenda’ to challenge the mainlanders’ advantageous political status by appealing to the Taiwanese collective memory of suppression (Leng, 2002; Roy, 2003). As such, the democratic innovations in reality bracketed concealed purposes to reduce the mainlanders’ political, economic and military power resources. Moreover, these KMT strategies advocated by Lee generally aligned with the DPP’s position and were repeatedly broadcast on state-owned or party-owned TV channels to mobilize wider spread social support.

However, as Rawnsley & Rawnsley identify that media liberalization since 1987 “has contributed more to the consolidation of democracy in Taiwan than to democracy itself” (Rawnsley & Rawnsley, 2001: 80). Media pluralism opens a public forum that encourages civic participation and nourishes a popular understanding of democratic



practice (Rawnsley & Rawnsley, 2001). Under competitive market-directed principles, technology facilitates the liberalization of media and communication means. A pluralistic media promotes individual freedom of choice on sources of information. Consolidation of democracy is also a process of constructing citizens' reflexivity that can reflect and scrutinize state's strategies and the intentions of leading statesmen. Hence, an ideological bracketing strategy will possibly not work well every time. Moreover, not only the KMT can propagate its policy but also the opposition parties, too: under the liberalization of media, ideological pluralism is expected.

In a nutshell, the KMT's major political and ideological strategies in 1990s set out from a renewed overarching economic nationalism and national identity issues. Both of them were relied on legacies that tried to parcel the domestic process together with the threat of war and security concerns. However, as the KMT party-state was no longer able to monopolize resources of communication means (media), the state's capacity to control ideology was weakened. Based on evidence in the former section and preceding chapter, this shows it was not possible for the KMT to effectively mobilize (or demobilize) domestic enterprises and civil society as they did in the authoritative era, at the ideological level. On the contrary, the state policy-making process and politicians' behaviours were put under scrutiny by the mass media, press and civil society.

### *6.2.2 The retrenchment of the developmental strategies in globalization and democracy*

The major instrumental tools of the developmental state are material-based. These material mobilization measures include effective capacities for tax extraction, monopolies of important and upstream materials, centralized monetary authority with extensive regulatory and power, and supervision of state-business associations (Doner *et al.*, 2005; McBeath, 1998). The warfare and workfare oriented centralization on resources (capital and materials) allowed the government with capacities to launch investments in high-tech industry, 'winner sectors' and R&D activities. Hence, the measures were strategically and selectively applied to specific sectors or industries.



To reassess the state's economic capacities to continuing its developmental model, this subsection in turn investigates changes in economic prerequisites and strategies to elaborate how the state combats resistant forces.

Firstly, the state capacity for material mobilization gradually weakened and fiscal structure degenerated during globalization and democratization. As Taiwan entered global and regional free trade organizations in the late 1980s, the major tax resources from tariffs and monopoly taxes were reduced radically. From the fiscal perspective, the new demands of social welfare provision inevitably caused a knock on effect on other expenditures. Moreover, the low tax burden legacy left the state no space to raise taxes. Consequently, the resources invested in warfare and workfare strategies were excluded by demands on welfare policy. Moreover, the state did not assume a retrenchment policy for its revenues since infrastructural projects were important measures for strengthening the KMT's patron-client networks in various electoral polls. In this sense, the expansion of expenditure was inevitable and the only strategy rendered to sustain the new demands was to raise debts (see Huang, 2003). As shown in Table 6.2, the deficit of governmental expenditure and the outstanding debt percentage in GDP climbed to unprecedented highs in the 1990s. Therefore, the Taiwanese developmental state transformed itself from a tax-abundant warfare-workfare state with high revenue surplus into a welfare state with high deficits in a decade.

Table 6.5 is the distribution of governmental expenditures according to purposes, 1987-2000. There were obviously decreases in defense and economic development expenditure, and increases in the outlay for social security.<sup>239</sup> This demonstrates transformation from a warfare and workfare state into a welfare one within the governmental financial structure.

Second, the financial controllability of the Central Bank and financial bureaucrats was greatly weakened under the double-edged sword of globalization and democracy

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<sup>239</sup> In 1991, the expenditure of social security exceeded that for national defense; and again in 1995, it exceeded the ratio of economic development.



(Riain, 2000). Some evidence revealed in Table 5.6(p. 202) proves that the state capacity for capital provisions and allocation was in the wane. As deregulation in the financial sector and liberalization on the trade sector are prerequisites to engage in a global trade regime, the incremental liberalizations began in the late 1980s. Furthermore, the intensified competition from opposition parties forced the KMT to become more dependent on indigenized social forces that had previously been excluded in the authoritarian regime to re-construct mechanisms for sharing more interests with local factions or business groups.

Table-6.5 The Percentage Distribution of Governmental Expenditures: Key Headings, 1987-2000.

Period	Key Headings							Total
	General Administration	National Defense	Education, Science & Culture	Economic Development	Social Security	Obligations	Others	
1987	11.2	23.2	20.8	26.7	14.1	1.1	0.9	100.0%
1988	11.0	22.1	20.3	29.5	18.2	1.1	0.8	100.0%
1989	8.1	15.6	17.0	44.8	12.7	0.9	1.0	100.0%
1990	11.5	19.2	20.7	27.5	18.6	1.5	1.0	100.0%
1991	12.0	17.8	22.6	25.2	18.8	2.6	1.0	100.0%
1992	12.7	15.3	20.8	29.6	18.8	2.2	0.7	100.0%
1993	11.9	14.4	19.9	31.1	18.2	3.6	0.8	100.0%
1994	11.8	17.6	20.9	25.6	19.2	4.1	0.6	100.0%
1995	11.6	14.1	18.7	22.9	21.7	10.2	0.6	100.0%
1996	13.2	15.5	20.3	17.9	26.9	5.8	0.5	100.0%
1997	13.0	15.5	20.0	15.7	28.9	6.2	0.7	100.0%
1998	12.9	15.7	20.7	16.8	27.4	5.8	0.8	100.0%
1999	13.6	14.0	20.9	17.1	26.9	6.9	0.6	100.0%
2000	14.9	11.4	20.9	15.1	28.7	8.6	8.6	100.0%

Source: Council for Economic Planning and Development, 2001, *Taiwan Statistical Data Book 2001*.  
Taipei: Council for Economic Planning and Development.

Table 6.6 shows the non-performing loans in the Taiwanese banking system from 1993 to 2001. State-owned commercial banks and credit associations were all allowed to offer an implicit quota of soft loans to representatives or assemblymen at different levels (Cheng & Chu, 1999; Gobel, 2001). The causal effect between democratization and bad debt belonging to the fishermen' and farmers' associations can be clearly identified (Kong, 2004). It demonstrates that the efficiency of the banking system was eroded by democratization as the KMT began to operate bank credit and capital resources, especially those public ones, according to political considerations but not economic ones.



Table-6.6 Non-Performing Loans in Taiwan, 1993-2001

Year	Non-Performing Loans (%)					
	Total NPL/loans Taiwan	Domestic Banks	Foreign Banks	Credit cooperatives	Farmer' associations	Fishermen's associations
1993	1.14	1.17	0.38	1.17	1.70	2.90
1994	1.82	1.85	0.45	2.15	2.87	2.55
1995	2.85	2.92	0.82	3.14	5.24	5.02
1996	3.68	3.68	0.97	6.11	8.46	6.21
1997	3.70	3.70	1.00	6.44	10.83	9.21
1998	4.36	4.36	1.60	7.58	13.18	11.32
1999	4.88	4.88	3.20	10.44	16.10	12.99
2000	5.34	5.34	3.22	12.44	17.97	14.11
2001	7.79	8.26	3.59	11.89	19.44	15.19

Source: Modified from Kong, 2004: 357

Note: the ratio are calculated from non-performing loans /the total lending of banks

In the neo-statist works, competent bureaucrats insulated from business groups and civil society and acting autonomously are the institutional core of the EA developmental state (Evans, 1995; Riain, 2000; Wade, 1990; Weiss, 2000). However, in the case of Taiwan, the evidence has shown that the strong economic resources of bureaucrats have decreased since 1990. As argued in Chapter Five, Taiwan sailed through the 1997 Asian crisis due to the robust backup from the private sector (Hsueh, *et al.*, 2001; Zhang, 2002). As Huang identifies, democratization rendered the state increasing porous, more attentive to interests groups and more democratically accountable (Huang, 2002: 16). As the politically discreet economic bureaucrats became alert to the fact that they were no more insulated from the pressures of interest groups, and as they sensed the policy implications of the political ascent of business groups and local factions, they started to choose liberalization strategies (Cheng & Chu, 1999). As such, “between 1988 and 1993 the state economic bureaucracy made more deregulations decisions than it had done for the last two decades” (Cheng & Chu, 1999: 38). In this sense, there are profound political implications in the process of liberalization. For preventing the interventions of local factions and business groups, the “most competent economic bureaucrats” (see Wade, 1990; Weiss, 2000, 2001; Wu, 2004) phrased by numerous neo-statists rather to embraced liberal thinking than



continuing to try and discipline the private sector (Cheng & Chu, 1999; Hsueh, *et al.*, 2001).

Third, rapid economic growth weakened the role of public enterprises in the macro economy. This was due to pressure from three sides: international free trade regime, domestic enterprises and opposition parties. By the late 1980s, the state-owned enterprises had vigilantly pre-empted private capital participation in the financial sector, public utility sector and most capital-intensive industries to prevent the emergence of political rivals. The functions of these public enterprises were to control the key upstream materials, provide a reliable revenue base for an over-sized state apparatus and a source of high-level employment opportunities for the KMT's political allies who had retreated to Taiwan in 1949 (Cheng & Chu, 1999; Hsueh, *et al.*, 2001; Wu, 2004). Therefore, with such abundant resources, these state-owned enterprises were able to stabilize the economic, social and financial orders in the early post-war decades. However, as the privatization of state enterprises were launched due to external pressures in the early 1990, state's capacities to mobilize and control materials was undermined and downsized.

In Table 4.7 (p.129), the ownership distributions of state-owned and private sectors in 1952 and 1960 were 56.2% vs. 43.8% and 43.8% to 56.2%. In 1970 and 1980, the equations were turned into 27% vs. 72.3% and 14.5 vs. 85.5. There was also a similar trend in the industry distribution in Table 4.6 (p.129). However, from Table 4.8(p.130), it can be seen that public and private shares of GDP were maintained at the same ratio from the 1950s to 2000. The public sector share fluctuated minimally between 17.3% (1996) to 20.8% (1981); and the private sector share also shifted slightly between 79.2% (1981) to 83.3% (1956). This demonstrates that the productivity of the private sector was far beyond that of the public sector from 1950s to 2000. However, the economic externalities of the public sector contributed to social capital used by the private sector.

Therefore, we can infer that the existence of the big share in public sector was for political and social purposes as its productivity and purely economic cost-benefits



were far lower than that of the private sector. Hence, the KMT's strategy was not efficiency-directed but effectiveness-directed for material mobilization, effective dominance and social stability. As such, this orientation was reflected in the dual economic structure and "tripartite market structure" (Wu, 2004: 105) in which the public enterprises lay on top to monopolize upstream goods, the large private enterprises played an intermediate role and the SMEs focused on the export market. As Taiwan moved towards internationalized markets and democratization, the less productive public enterprises in the red began to struggle and become a heavy burden on state fiscal deficits. The enacting of the 'Statute for Transfer of Public Enterprise to Private Ownership' in 1993 under the pressure from three sides ended the government's domestic monopoly (Wu, 2004), and the state was undermined in its capacity to discipline the systems of production.

Lastly, the dual economic structure led to diversity in the nature of the export-and import-oriented sectors in their strategies and the dismantling of state-business networks established by 1990. In the authoritarian period, "the government-initiated contacts with business group in the forms of licensing requirements, economic data collection, representational opportunities, monitoring of association activities and election of association officers" (McBeath, 1998: 6). Since the dynamics of export-oriented industries depended on how they geared into competitive global commodity chains, the declining influences of old policies and state intervention via state-business networks is predictable during globalization. However, as the inward-looking diversified business groups, local factions and crime organizations are more inclined to rent-seeking activities, their intensively integration into pork-barrel and rent-seeking activities increased swiftly as Taiwan stepped into the process of democratization (Chin 2003).

These new alliances sought extralegal economic prerogatives and exclusive rights such as bid rigging for government procurement orders and infrastructural constructions, joint-ventures or unreasonable concession loans from state-owned banks or local financial associations.<sup>240</sup> In a representative democracy, Taiwan's state

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<sup>240</sup> According to Chin, there are five major areas of black-gold politics. They are bid rigging, vote



economic projects or rents were captured by elected representatives at different levels (Cheng & Chu, 1999; Chin, 2003; Kau, 1996; Tsai, 2001). Through compromises and concessions in exchange for their support, the old institutional insulation between the state and business sector began to melt down. Hence, the selection of strategic sectors and infrastructural constructions developed more from political considerations than from economic ones. As such, the efficiency of resource utilization becomes difficult to be balanced, and substantially enhances domestic transaction costs.

The economic dynamics in Taiwan's development mainly originated from SMEs and high-tech enterprises. These enterprises are generally mini-multinational (regional) or international in operations. Their overseas expansion "grew largely outside the established state-sponsored, KMT-directed corporatist framework" (Cheng & Chu, 1999: 38). The hierarchic state-business networks utilized as an institutional base for organizing cooperative activities and pioneering signals by 1980s were replaced by self-governed polymorphous networks that were organized by the private sector (Orri, 1995). As such, the three national organizations-the Federation of Industry, the Federation of Commerce and the National Council of Industry and Commerce were gradually superseded in their immediate roles of implementing state policy and employing sanctions. As a result, the capacity of the state to 'steer' the economy waned.

In a nutshell, the economic resources of the Taiwanese developmental state underwent a radical transformation due to globalization and democratization. Changes from globalization and democratization have driven a wedge between the state and private sectors. Moreover, sound state-business relations have eroded under the dualistic development of the private sector. The state capacity for material and capital resources mobilization has degenerated as a result of new demands for welfare provisions, the regime of representative democracy and financial liberalizations. The economic decision-making processes have become politicized and are in the hands of legislators

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buying, election violence, mafia politics and corruption of officials. For realigning the new indigenized alliance, the KMT (Lee Teng-hui Administration) began to consolidate a power realignment between the mainstream KMT partisans, Taiwanese business elites and local factions (Chin, 2003).



and politicians at different levels in the political system.

As for the central government, the cabinet can no longer force the Legislative Yuan to follow its discipline. As the state (bureaucrats) is captured by the elected politicians and could no longer effectively formulate and implement its policies, the political process became a horse-trading arena for economic bureaucrats, political partisans, lawmakers (legislators) who generally act as surrogates of special interests of business groups or local interests (Cheng & Chu, 1999; Kau, 1996; Tsai, 2001). The institutional core of the 'ideal bureaucracy' with controls over centralized economic resources and unified national interests were undermined by the new power constellation that engaged in sharing interests. By re-examining the cases posited in Chapter Five the evidence of how domestic enterprises resisted the state's policy, and in Section 6.1 on how local governments and citizens organized to resist important industrial projects, we can see that political-economic power resources of domestic enterprises and civil society have greatly increased enough to allow them to resist state policy.

Partnerships between state technical bureaucrats and the high-tech private sector still performed significantly well in the 1990s. However, successes in advanced sectors are not enough to resolve distribution and accumulation problems. Moreover, all high-tech sectors as well as SMEs were well self-governed in accordance with the market principles in the global market. As described in many neo-statist works, the successful cases in Taiwan are all sector-specific, and do not belong to a generalized development across all sectors (Evans, 1995; Weiss, 2000; 2002). As a democratic and industrialized state, it is impossible for the KMT party-state to shun the problems that have arisen with income inequity and demands for welfare provisions (especially in the rural districts).

On the one hand, the Taiwanese case still shows a prominent legacy of technical capacity for supporting R&D activities and providing excellent human resources. However, there is no evidence to show the state has reconstructed any new trajectory or initiated a new mode of governance to resolve challenges from globalization.



domestic capitals and civil society. On the other hand, institutional inertia and inward military strategies (national security) also remain strong and the state cannot adequately resolve the contradictions between welfare and workfare policies. The developmental state mode is discontinued as it fails to conform to changes of its constructive agencies. As Weiss identifies domestic institutions matter (Weiss, 2003). However, the reinvigoration of the developmental state should not freeze the success of specific-sector or industry and their institutional networks with the state. It will be more important to replenish flexible institutional mechanisms and reengineer state capacity to condition warfare, workfare and welfare politics.

### *6.2.3 The decentralized state in a fully-fledged democracy and the resurrection of concealed inward military strategies*

#### 6.2.3.1 The alliance of the KMT, local factions and big business

Before the 2000 president election, there were few academics who precisely predicted the electoral defeat of the KMT. On the contrary, most researchers set out from a material resources control perspective, and believed there was no reason to infer that the KMT with its excellent credit and dominance of the macro-economy would lose the political authority to an immature and relative weak oppositional party (Chu & Lin 1889; Tang *et al*, 1996; Weiss, 1999, 2000). Hence, the defeat of the KMT in the presidential election can not be simply explained by economic factors. There were residual factors not included in the developmental strategies that caused the KMT's loss of authority.

As emphasized the asymmetrical distribution of political and economic power made bottom-up institutional innovation within bureaucracy almost impossible before 1990. However, constitutional amendments strengthened the autonomy of local governments in 1992 and the National Assembly drastically shrank the Taiwan Provincial Government and Provincial Assembly in 1997-8 which made the local counties into the most important agent able to challenge the central government authority. The DPP victory in the elections for local magistrates in 1993 and 1997



encouraged the DPP's to believe that control over local politics would lead to running the national government (Copper, 2003). As indicated in Section 6.1.2, there were several cases in which local authorities and inhabitants opposed major industrial and economic projects for environmental reasons in the 1990s. Every case was located in a DPP controlled county. This implied that resistance to local authority became possible since the magistrates were elected by local citizens. At a deeper level, it alerted the KMT (Lee's Administration) to the importance of elections in democracy, and the suggestion that in a presidential election the KMT might lose its political authority to an opposition party.

Under the motto of 'winning is everything' by Lee Teng-hui, loss in elections (local or national) meant loss of everything (Roy, 2003). The advances of democracy intensified competition from the opposition rivals, and the weak social forces formerly excluded from power became vital for winning in elections. So it was that "the KMT conscientiously and systematically recruited a large number of local and national politicians who were underworld figures, greedy businessmen, and self-serving local faction leaders" as their candidates in campaigns (Chin, 2003: 125). However, it is worth enquiring as a developmental state with excellent reputation for bureaucratic and economic efficiency why the KMT chose a strategy of allying with the black-gold interests in the 1990s?

As Chin identifies "the KMT desperate to hold onto power under the internal and external pressures, had no choice but to accept politicians with dubious backgrounds as long as these politicians were willing to identify with the KMT and had money and power to be elected" (Chin, 2003: 125). The reason Chin posits this is that the KMT feared those factions would be absorbed and integrated into the DPP (Chin, 2003; Wang, 1997). However, it still cannot provide a persuasive answer why the KMT with the excellent reputation of its competent bureaucrats needed to desperately cooperate with factions of dubious backgrounds and create a 'black-gold' alliance. Observing the results of local elections up to 1987, we can see that the candidates nominated by the KMT frequently won the majority of seats in the local representative and magistrates elections and performed well.



There is a more profound reason to explain the strategy that the KMT had chosen. As Lee Teng-hui is a native Taiwanese successor to Chiang Ching-kuo, his power base was challenged by his colleagues within the KMT party, both Taiwanese and mainlanders. As the old institutional insulation between the party-state center and business sector was gradually broken down by the growing autonomy of private sector, especially those export-oriented, the need to reestablish new allies (mainstream faction) outside to compete with the non-mainstream faction and marginalize the mainlanders in the KMT became imperative for Lee. Lee called his strategies of the 'Taiwanese indigenization alignment' and 'Taiwan first', and they were intended to marginalize the mainlanders and Lee's Taiwanese opponents in the KMT. Lee's strategy was to establish a conservative indigenous alliance among the KMT mainstream faction, big business (domestic market oriented) and local factions. Moreover, even the indigenous opposition party the DPP was implicitly encouraged and supported by Lee (Cheng & Chu, 1999; Kau, 1996; Kong, 2004; Lee, 2002; Roy, 2003).

Therefore, supporting on popular suffrage at every level by appearing to consolidate democracy and forging a new nationalist identity (see Hughes, 1997) became very effective tools for Lee since more numbers Taiwanese population was encouraged to criticize KMT's authoritarianism. Allying with existing local factions, crime organizations and businesses was also a quick and easy way to mobilize an 'organized social base' to combat mainlanders and non-mainstream members in intra-party power struggles. However, despite being named advocates of democracy, Lee and his allies opposed an open ballot in primary elections for all members within the KMT to elect the party's chairman and rejected the democratization of all of the important posts in the party. Obviously, consolidation of personal power took precedence over Lee's ideological commitment (Roy, 2003). Table 6.7 shows the share of KMT nominated legislators who possessed a local factional background from 1969-1998. It clearly demonstrates how the local faction became the major player in the KMT's power structure.

The alliances among the KMT politicians, faction leaders and big businesses began to



deteriorate the developmental foundations and capture every rent they could reach. As Lee identifies as the “distribution coalitions sprang up and the economic bureaucracy often stood at the sidelines” (Lee, 2002: 21). The economic bureaucracy was no more insulated from or embedded with social forces and enterprises but was being captured in the process of democratization. Financial credits, major infrastructural constructions and public procurement became the prizes that the KMT rewarded its allied factions and businesses with since the 1990s. Furthermore, “seeing the advantages of legislative incumbency, local faction leader, like business tycoons, also sought legislative office for themselves instead of working through intermediaries” (Kong, 2004: 356). The KMT’s black-gold politics was forged, and corruption and bid rigging activities became very pervasive in Taiwan’s politics (Chin, 2003).

Table-6.7 The share of KMT Legislators in the Legislative Yuan who Possess a Local Faction Background

Year	Total number	Legislators with a factional background(seat/%)	Legislators without factional background(seat/%)
1969	8	4 (50%)	4(50%)
1972	30	5 (16.7%)	25(83.3%)
1975	30	6 (20%)	24(80%)
1980	57	18 (31.6%)	39(68.4%)
1983	62	30 (48.4%)	32(51.6%)
1986	58	31 (53.5%)	27(46.6%)
1989	72	42 (58.3%)	30(41.7%)
1992	71	42 (59.2%)	29(40.9%)
1995	63	41 (65.1%)	22(34.9%)
1998	90	56 (62.2%)	34(37.8%)

Source: Cited from Chen, 2001: 75.

As the power of crime organizations, mafia politics and local factions strengthened at every election, the social and economic order began to decline since the mid-1990s. Most civilians believed Lee Teng-hui was more interested in enlarging his presidential power by revising the constitution rather than the public’s greatest domestic concern, crime and corruption. Those domestic political and social pressures forced Lee to deliberately employ a concealed inward military strategy for raising his own historical stature and insulating himself from the general public disgust with perceived KMT corruption (Roy, 2003). Figure 6.2 shows the nexus of the ‘black-gold alliance’ in



Taiwan.

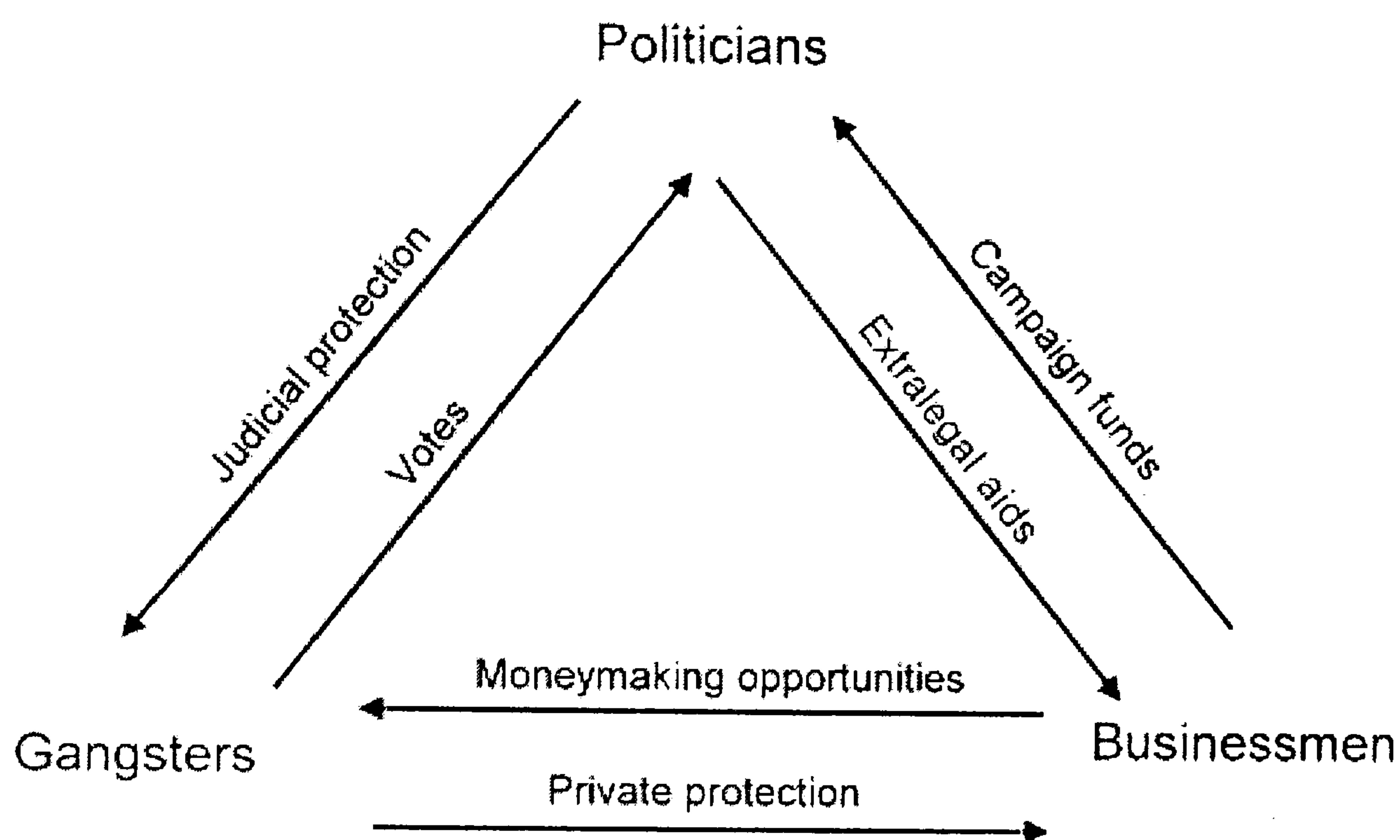


Figure- 6.2 The Nexus Between Gangsters, Businessmen, and Politicians  
Source: Chin, 2003: 17.

In the preceding sections and Chapter Five, I have argued the discontinuity of the Taiwanese developmental state came from unbalanced coordination among the warfare, workfare and welfare policies. The KMT's political strategy, which attempted to develop the theme of security and welfare into a workfare-warfare model, had a number of contradictions. It provides a costly and risky strategy. The Taiwan case suggests it is difficult to mobilize a society on the basis of national security concerns over a long period of time. In the short term, a security oriented regime that turns to welfare might be able to mitigate or release some domestic pressures. However the Taiwan case shows that ultimately the 'low' politics of welfare takes priority over the 'high' politics of security especially in democratic political system where civil society is developing a capacity for reflexivity. The issue of political corruption is particularly sensitive when civil society considers that its priorities are being overlooked. The reflexivity of civil society has progressed with its political autonomy and ideological pluralism in democratization. Table 6.8 reveals the percentage of votes won by each political party from 1989 to 2001. It clearly identifies that the share of the KMT votes decreased from 1989 in every election, especially the presidential election in 2000.



Table-6.8 Major Election Results in Taiwan since 1987: Percentage of Votes Won by Each Political Party

	KMT	DPP	NP	PFP	TSU	Others
<b>County magistrates and city mayors</b>						
1989	52.67	38.34	—	—	—	8.99
1993	47.47	41.03	3.07	—	—	8.43
1997	42.12	43.32	1.42	—	—	13.14
2001	39.13	39.13	4.35	8.70	—	8.70
<b>Members of Kaohsiung City Council</b>						
1989	62.60	21.00	—	—	—	16.40
1994	46.22	24.91	4.83	—	—	24.04
<b>Kaohsiung City Mayor</b>						
1994	54.46	39.29	3.45	—	—	2.80
1998	48.13	48.71	—	—	—	2.35
<b>Members of Taipei City Council</b>						
1989	69.20	23.40	—	—	—	7.40
1994	39.06	30.12	21.72	—	—	9.10
<b>Taipei City Mayor</b>						
1994	25.89	43.67	30.17	—	—	0.28
1998	51.13	45.90	2.97	—	—	—
<b>Members of Taiwan Provincial Assembly</b>						
1989	62.10	25.60	—	—	—	12.20
1994	49.06	31.67	6.22	—	—	13.02
<b>National Assembly delegates</b>						
1991	71.17	23.94	—	—	—	4.89
1996	49.68	29.93	13.59	—	—	6.80
<b>Legislative Yuan members</b>						
1989	60.10	28.20	—	—	—	11.70
1992	61.67	36.09	—	—	—	2.24
1995	46.07	33.17	12.59	—	—	8.17
1998	46.43	29.56	7.06	—	—	16.95
2001	31.28	36.57	2.86	20.34	8.50	0.45
<b>Presidential election</b>						
1996	54.00	21.13	12.59	—	—	24.87
2000	23.10	39.30	0.13	—	—	37.47

Note:

A. New Party (NP) was formed mainly by the second generation of mainlander who did not aligned with Lee Teng-hui and left KMT in 1992.

B. PFP (People First Party) was formed by James Soong after the 2000 presidential election.

C. After Lee Teng-hui was forced out of the KMT after the 2000 presidential election, his supporters split from the KMT and established the TSU (Taiwan Solidarity Union) party.

Source: Cited from Chin, 2003: 129.

Wade and Weiss insist that crises of EA developmental states come from “departing from the Asia model” and the “inner wheels of national politics and class” (Wade, 2000: 108) or the “domestic-politic in origins” (Weiss, 2000:22) should not comprised in their ideal deductive formula. However, these states did not exist in a vacuum but



in their particular spatio-temporal fixes. As authoritarian regimes transformed into democracies, the prerequisites for existing institutional legacies varied. The case of Taiwan demonstrates that the inner wheels of domestic politics matter. On exploring the issue of continuity and discontinuity of the developmental states, there is no reason to presume their external and internal prerequisites can be frozen in a snapshot.

In summary, the positive effects of state capacity and autonomy have sound foundations in many orthodox developmental studies. However, from a historical perspective, the state is but one of a number of social control organizations and governance models. The case of Taiwan from 1987 to 2000 provides good exemplification to remind us that the role and the boundaries of the state need sober reconsideration; the relations among warfare, workfare and welfare politics needs more deliberate identification. Synthesizing the preceding investigations in this section, Figure 6.3 is the trajectory of IEMP power networks of the state from 1987 to 2000. It shows the retrenchment of state political and economic power resources during globalization and democratization. The internal military and ideological power resources of the state remained strongly concealed in more substantial strategies of self-referential national interests or national identity (security) posited by state authorities. However, media pluralism and ideological emancipation will provoke reflections and resistances from civil society or private sectors to countervail the state's (politicians') intention.

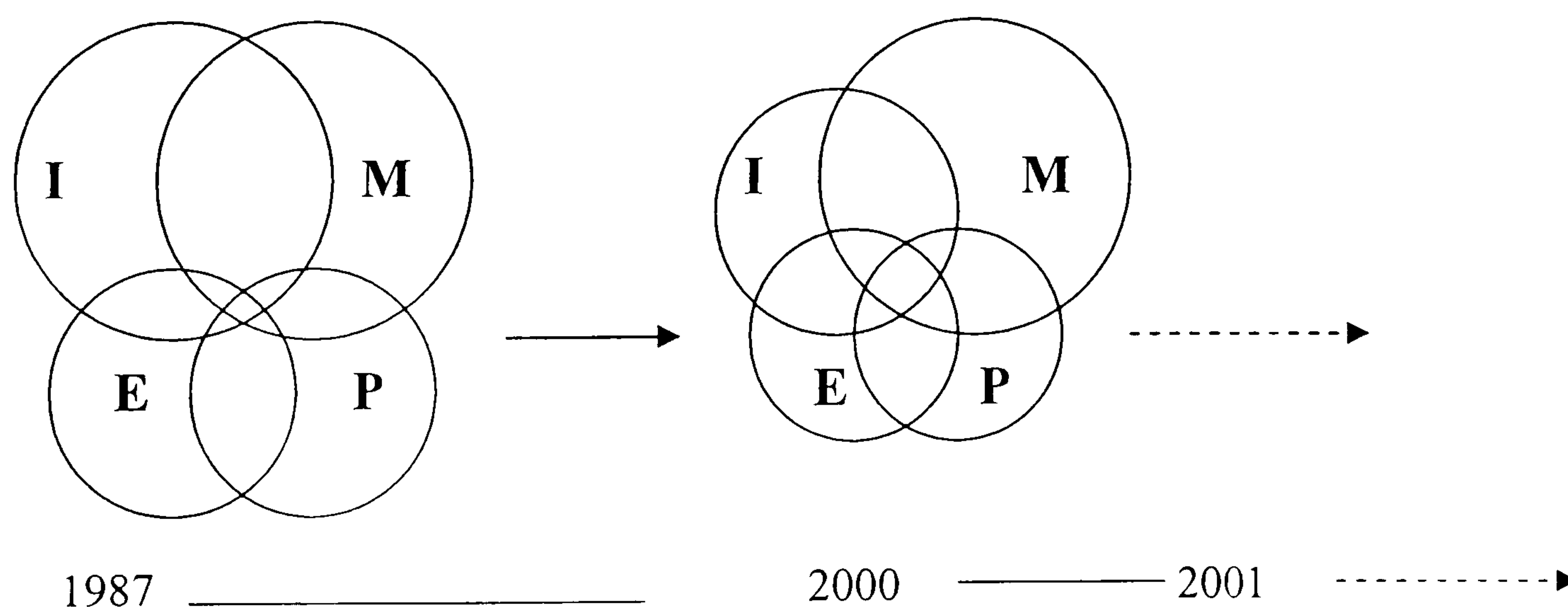


Figure- 6.3 Trajectory and power resources of the state in IEMP model from 1987-2000.



**Section 6.3: Concluding remarks: the reconstructed IEMP power constellation in globalization and democracy**

Figure 6.4 is built from a power reconfiguration of Figure 5.1(p.180), Figure 5.2(p.211), Figure 6.1(p.238) and Figure 6.3 (p.255). It shows the changes of power resources of IEMP at different levels investigated in Chapter Five and this chapter.

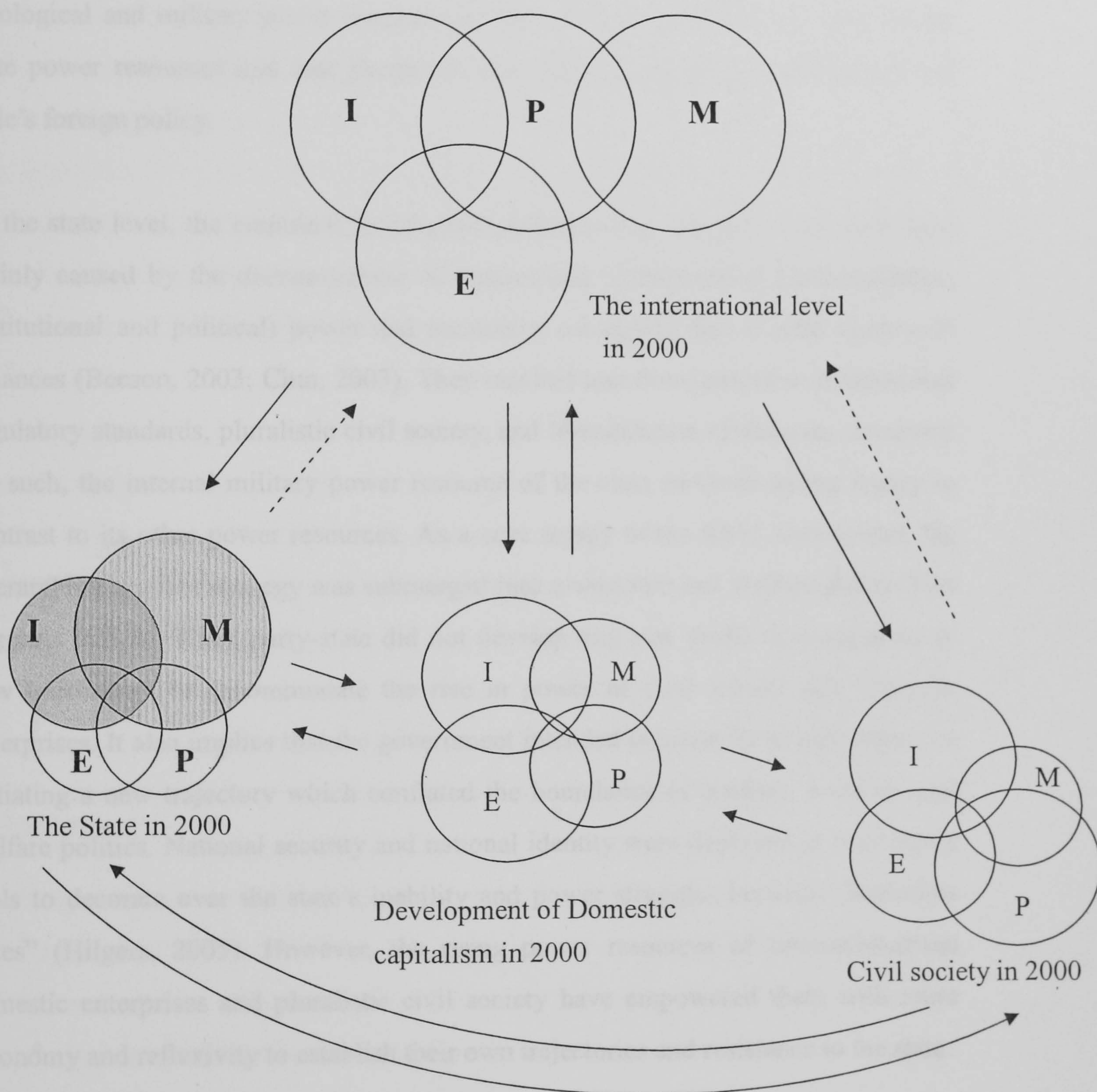


Figure 6.3 The power re-constellation evident by 2000

Note: 1. Shaded circles means the 'hard core' of state autonomy and capacity.

2. Dashed arrows mean 'indirect' influence; solid arrows mean 'direct' influence.



As an intervening variable (causal mechanism) in the theoretical arrow diagram (Figure 2.4), the new constructed power constellation is pivotal for inferring the continuity or discontinuity of the developmental state model in Taiwan. It clearly shows that identify the original hierarchic configuration in Figure 4.1 has transformed into a more paralleled one. There have been disparate developments in geo-politics and geo-economics at the international level since the end of the Cold War. However, ideological and military power resources in Taiwan still remain as the 'core' of the state power resources and cast impact on the domestic capitalism and society and state's foreign policy.

At the state level, the empirical investigations demonstrate failures of the state were mainly caused by the dismantlement of bureaucratic infrastructural (administrative, institutional and political) power and increasing corruption due to new black-gold alliances (Beeson, 2003; Chin, 2003). They resulted less from pervasive international regulatory standards, pluralistic civil society, and liberalization of domestic economy. As such, the internal military power resource of the state survived strong legacy in contrast to its other power resources. As a core legacy of the KMT nationalism, the overarching warfare strategy was submerged into a workfare and welfare policy. This suggests that the KMT party-state did not develop any new mode of governance or new trajectories to accommodate the rise in power of civil society and domestic enterprises. It also implies that the government intended to cover its incompetence by initiating a new trajectory which conflated the boundaries of warfare, workfare and welfare politics. National security and national identity were deployed as convenient tools to decorate over the state's inability and power struggles between "barracuda elites" (Hilgers, 2005). However, the rising power resources of internationalized domestic enterprises and pluralistic civil society have empowered them with more autonomy and reflexivity to establish their own trajectories and resistance to the state.



## CHAPTER SEVEN

### **The Dependent Variable: an Open-ended Future and Conclusion**

This thesis aims to construct an ideal analytic framework of theoretical polycentricism based on methodological pluralism and reflectivism that can be applied to investigate transformation of the EA developmental states in a globalized economy and a democracy context. The ambition of this thesis is to present a more comprehensive account than those in reductionist (state or society centric) paradigms (see Table 1.6, p. 46). In the theoretical chapters (Chapter One to Two), this purpose was approached by expanding Mann's IEMP model into two meta-theoretical and multi-causal analytic frameworks presented in Figure 2.2 (p.74), Figure 2.4 (p.78), and a theoretical arrow-diagram in Figure 2.3 (p.75) and Table 2.1 (pp.82-3). Following this, the empirical chapters (Chapters Three to Six) attempted to verify the theoretical arrow-diagram by utilizing the real world laboratory, the case of Taiwan, and to test the validity of the hypotheses for inferring elements of continuity and discontinuity in the EA developmental states. Figure 3.1 (p.96), Figure 4.5 (p.160) and Figure 6.4 (p.256) have in turn presented the power configuration and reconfiguration of IVs in two historical sequences.

This chapter will complete three tasks. The first section will follow the proceeding investigations to delve into the debated issues in Taiwan. This will be an open-ended exploration, since the conception of 'historical contingency' is one of the major ontological stances in establishing the theoretical arrow-diagram of this thesis. This will be followed by Section 7.2 in which I verify the validity of the hypothesis and predictive model by reexamining the power configurations and reconfigurations in Chapter Four to Chapter Six. By applying the expanding IEMP models to canvass the power constellations in two historical sequences, the empirical evidences can account for the power reconfigurations among IVs by means of comparisons. The transformation of state autonomy and capacity in globalization and democracy will build up an ideal power constellation model by referring to analyses in former chapters and debate issues in section 7.1. These results are used to posit an ideal



power constellation for redefining the boundaries and scopes of the developmental state, simultaneously concern warfare, workfare and welfare politics, in globalization and democratization. Moreover, it can utilize to demonstrate the validity of theoretical arrow-diagram and analytic frameworks on interrogating the continuity and discontinuity of the EA developmental states. This thesis will conclude with section 7.3 in which I will outline my contribution to theories of international relations and developmental states theories at theoretical, epistemological and methodological levels.

## **Section 7.1.: The debate issues in Taiwan: the open-ended future of the developmental state**

### 7.1.1 Workfare vs. welfare: contradictions between accumulation and redistribution

Encouraging investments in high add-valued industries and advanced technology by means of R&D supports are adopted by many states, especially developing states, in the context of globalization. Moreover, this strategy is also one of the prescriptions for constructing a ‘competitive state’ in a global economy (Cerny, 1995; Hay, 2004; Jessop, 2002, Mann, 1997; Sum, 1998). The emphases on competitiveness and innovation capacities of the state are standards accepted by various global or regional organizations (see Jessop, 2001). Jessop further concretizes the structural competitiveness of state into the concept of the ‘Schumpeterian workfare post-national regime’ (SWPR).<sup>241</sup> As such, transforming into a SWPR is an

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<sup>241</sup> Jessop’s Schumpeterian workfare post-national regime (SWPR) is an ideal typical mode of governance with competitiveness in globalization. According to Jessop, this competitiveness depends on “developing the individual and collective capacities to engage in permanent innovation—whether in sourcing, technologies, products, organization or marketing. These capacities extend beyond the narrow economy to include a wide range of extra-economic factors” (Jessop, 2002: 121). The economic policies in SWPR are focused on innovation and competitiveness in open economies with increasing stress on supply side to promote knowledge-driven enterprises. It subordinates social policy to an expanded notion of economic policy and downward pressure on social wage and attack on welfare right. As such, the governance mode in SWPR is self-organized ones to correct both for market and state failures (Jessop, 2002: 252). Jessop defines SWPR as alternatives strategies to adjust or promote global neo-liberalism by four dimension strategies: neo-liberalism, neo-corporatism, neo-statism and neo-communitarianism (Jessop, 2002: 262). According to Sum (1998), the characteristics of LWNR and SWPR as followed:



ideal-typical vision for many advanced Western states for resolving the deficits in their welfare regimes. However, strategic policy is not only concerned with reallocation of available resources; at a more profound level, it is concerned with reconstructions of economic and extra-economic structures, domestically or internationally.

Under the overarching hierarchy of a production system, some 'weak' and 'sunset' industries and sectors will be inevitably marginalized. And there will be more structural unemployment in these 'left behind' industries and sectors. The populations engaged in these sectors might never develop an advanced skills base. Hence, strategic trade policy and global competitiveness create the risks of social marginalization of weak sectors and the elements of society dependent on them. However, this problem is not unique to Taiwan. The WTO 2006 Summit held in Hong-Kong demonstrated this point. The incremental and increased exploitations of farmers and low-waged labour by capitalist states or classes are common situations in many developed and developing countries.

Table 6.2 and Table 6.5 evidence the exclusion using the proxy of increased social security expenditures that competes with spending on economic development and national defense, since resources of the state are limited and generally occur at the expense of the other. The increased social security expenditure also caused high and unprecedented government deficits in the 1990s. Moreover, the outflows of labour-intensive industries and capital, to generate cost-saving for capital, increased

Listian workfare national regiem	Schumpeterian workfare post-national regime
Market follower/imitator	Market anticipator/leader
Low/Standardized technology	High technology
Factor-driven form of competitiveness	Innovation-driven form of competitiveness
Low-cost workforce and production	Flexibility and process/product innovations
Turnover-time competition	Compressed-time competition
Flexi-wage, flexi-time, and flexi-space	Fast-in-time, fast-in-space, lead-time, transit-time
Importance of social space	Importance of social and cyberspace
Residual state spending on workfare shelters	State and corporate spending on re-skilling and retraining.
Economic processing zones	Learning/technological regions within and across borders/

Source: Sum, 1998: 14.



the severity of structural unemployment. As Ku (2001) argues no state can escape its welfare responsibility as it develops into a democracy. However, states also have an interest in maintaining domestic accumulation in the context of globalization. Chapter Six argues that welfare (redistribution) is not the antidote to resolve the deficits caused by the developmentalism or globalization; and it also is not a route to widen equality. I argued that the severities Taiwan confronts are caused more by institutional incapability of the state but less from globalization. In terms of macroeconomic growth of Taiwan performed quite well in the 1990s. However there remains a question about the reconstructions of more deliberate mechanisms to coordinate distribution and accumulation.<sup>242</sup>

Returning to the investigations on Taiwan's developments since 1970s, I established a discernable legacy from a Listian workfare state. Therefore, it might be easier for Taiwan to transform itself into a SWPR based on its Listian workfare state legacy than its emergent welfare state model. As shown in Table 5.3 (p.196) and Appendix 2-2 (p.332), Taiwan as a whole has transformed itself into a service and knowledge-driven economy. However, Chapter Six also indicates the severities Taiwan confronts mainly derived from the extra-economic institutions rather than within the economic production system.

Empirical research in Chapter Five shows that the spillover effects of Taiwan's advanced technology sectors and SMEs provide a significantly positive benefit to wider society. Moreover, the internationalization of SMEs and advanced technology sectors has provided justifications for them to be as alternatives vehicles of a state macro-economic project. The analysis in Chapter Five suggests that the problems in the workfare strategies cannot be simply resolved by increased welfare and social security provisions. The cases analyzed in 5.2.3 have proved the incapability of the state and the autonomy of the private sector in a globalized economy. Therefore, whether Taiwan can transform itself from a warfare-oriented Listian workfare state

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<sup>242</sup> As suggested in Jessop's blueprint of SWPR, the successful social reproduction relations are established on well-coordinated mechanisms between economic and extra-economic systems (Jessop, 2000; 2002).



into a SWPR depends on whether the state can play an active and positive role in reconstructing its administrative, institutional and political capacities (following Grindle's (1996) typology). The challenge for Taiwan lies in both the politics of redistribution and accumulation.

Analyses in Chapter Five and Chapter Six suggest the failures of the state functions originated from inertia in its warfare legacy, and flaws in democratic politics. The explorations of the state in section 6.2 demonstrated that the administrative, institutional and political capacities of the state have deteriorated during the process of democratization. Decreasing controls on the ideological, economic, political and military power resources accelerate the process of state's self-degeneration from within. Hence, the decreased industrial productivity and state extractive capacity mainly derived from state failures to unfold a new mode of governance for managing the severities and challenges from globalization and democracy. Self-serving, corrupt and factionalized politicians mired in 'black-gold alliances' undermined the very foundations on which a remodeled state could be constructed.

Moon and Rhyu present a similar diagnosis "the East Asian economic miracle was a product of a rational interventionist state, its collapse was an outcome of rigid, incompetent, inertia-driven state behavior" (2000: 83). Pempel also observes that "the rules' by which bureaucrats operate are generated outside the bureaucracy itself" (1999b: 144). However, a bureaucracy in rational pursuit of self-evident national goals is difficult to visualize in democracy (Pempel, 1999b). There is a certain irony that just at the point the developmental state is most needed for supporting globally oriented Taiwanese industries it is unable to do so. Therefore, it is not an issue of the sovereignty of the state at bay; but the capacities of the state at bay.

Following Jessop's ideal-typical SWPR prescription, the state role is an expanded version of an ideal Weberian bureaucracy that engages in promoting the competitive strategies for innovations and plays a major role in meta-governance.<sup>243</sup> Beside, it

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<sup>243</sup> According to Jessop, meta-governance is 'the governance of governance'. It "involves a containing process of 'muddling through'. It involves defining new boundary-spanning roles and functions, creating linkage devices, sponsoring new organizations, identifying appropriate lead organizations to



emphasizes the increasing role of self-organized governance to correct both for market and state failures.<sup>244</sup> By the same token, the governance structure constructed by Jessop is multi-layered and is more complex than depicted in statist or society oriented accounts of the developmental states (Jessop, 2002). Moreover, the SWPR highlights the far-reaching importance of “socializing long-term conditions of production as short-term calculation becomes more dominant in marketized economic activities” (ibid: 139). It is a reflexive meta-organization of meta-heterarchy designed to govern and scrutinize the constructions and procedures of economic and extra-economic systems (ibid). However, “the state gains greater role in the exercise of meta-governance” (ibid: 138). Hence, the SWPR might be an antidote to resolve contradictions between accumulation and distribution politics (see Appendix 8, p.347).

Therefore, the pivotal points for continuing the developmental legacy depends on how the state rejuvenates and redefines the boundaries of its institutional, administrative, political and technical capacities. The case of Taiwan shows how the demand for social welfare is co-opted into an electoral strategy by the KMT regime and has distracted the state from developing its technical capacity, and eroded its administrative, institutional and political capacities in democratization. The disabilities of the state are caused more by inefficiency of institutional mechanisms, and less from the weakening monopolization on material resources. Therefore, the relations between workfare and welfare politics in Taiwan should not be mutually exclusive, but should be reciprocal to each other by a complicated strategic selectivity to enhance the competitiveness of the state from within.

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coordinate other partners, designing institutions and generating visions to facilitate self-organization in different fields” (Jessop, 2002:240).

<sup>244</sup> According to Jessop, the governance mode in SWPR is a third way “between the anarchy of the market and the hierarchy of imperative coordination among mutually interdependent actors” (Jessop, 2002: 228). The SWPR “comprises efforts to steer the development of different systems by taking account both of their own operating codes and rationalities and of their various substantive, social and spatio-temporal interdependencies”. “The rationality of governance is neither procedural nor substantive: it is best described as ‘reflexive’”. It is “dialogic rather than monologic, pluralistic rather than mono-lithic, heterarchic rather than either hierarchic or anarchic. In turn, this suggests that there is no one best governance mechanism (Jessop, 2002: 228-9). In this sense, Jessop seems agree with point of the divergence of capitalism.



### 7.1.2 Developmentalism vs. democracy: the crisis of state autonomy and capacity

Many researchers conclude that the EA developmental state model in Taiwan will be eroded by globalization (Beeson, 2003, 2005; Huang, 2002; Lee, 2002; Leng, 1996*b*; Wang, 1999; Wu, 2004) They also claim that developmentalism and democracy are incompatible. These researchers predict the demise of the developmental state by pointing to its decreased control of material, tangible, accountable resources, and the institutional resources formerly monopolized by the bureaucracy and politicians. However, even if their diagnoses are right, the prescriptions are too one-sided. As Olson (2005) argues there are inextricable connections between democracy and welfare. There is a danger that prescriptions posited by neo-statists implicitly justify an authoritarian developmental state that depresses welfare provisions.

In Weiss's governed interdependence model (1998; 2000; 2003), the transformative capacity prescription is overly concerned with the methods the state might use to re-gain the power to pioneer, steer and govern the private sector. Weiss also explicitly suggests the exclusion of domestic politics (or the inner wheels, in Wade's terminology (2000)) in her deductive model (Weiss, 2000: 33-41). However, I argue, on the contrary, that any transformation of the developmental state should include the domestic politics and society variables, since relations between democracy and developmentalism need not have a zero-sum character. As criticized in Chapter One, the EA developmental state model was a product of post-war spatio-temporal fixes. It is unreasonable to assume the international (exogenous) and domestic (indigenous) contexts will not vary over time. As such, a new mode of governance with is vital for invigorating the developmental state model.

In the chapters probing the IEMP trajectories of civil society and domestic capitalism, there is sufficient evidence to justify that both variables benefited from the advantages of economic liberalization. In a horizontal constellation, domestic capitalism and civil society gradually ascended, paralleling the state with their enhancing power resources (Figure 6.4, p. 256). This configuration implies the coordinated institutional mechanisms between them will be more important than the hierarchic one (Figure 4.5,



p.160). The discussions in Chapter Five and Chapter Six demonstrate the vivid dynamic and reflexivity of these two variables. Increases in power resources have stimulated domestic capital and civil society into more mature and autonomous formations.

However, state autonomy and capacity in Taiwan are incrementally weakened by politicians' ambitions for winning elections and self-serving interests in an immature democracy after 1990. As Chapter Six demonstrates corrupted alliances exist where rents exist. The climbing non-performing loan ratio of public banks, bid rigging on the state infrastructural projects, special licenses, land-based economic rents, public procurements all became a drain on the public purse. These public resources nurture the 'black-gold alliances' and further strengthening them in a vicious circle with more powerful resources on vote buying, running campaigns and winning political offices (Chin, 2003). As the black-gold alliances took control of important offices or committees and instrumentalized budget reviews, investigating committees, they had access to rent-seeking opportunities (Huang, 2000). For passing their bills and budget without delay, the bureaucrats were forced to take part in bargaining games with elected representatives at every level of government.<sup>245</sup> Without the protection of an authoritarian state, losing controls on economic and political power resources, the bureaucracy was no more insulated from the society and was generally captured by the representatives 'representing the interests of society'. Those deficits developed out of governmental organizations that were never really well-institutionalized with sufficient transparency in the authoritarian period. In this scenario, collective and unified national goals were dispersed and fragmented into pieces. The governing capacity of the state was eroded by representativeness in the process of democratization (see Diamond, 1996).

The evidence in Chapter Five and Six also demonstrate that the KMT party-state was

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<sup>245</sup> In Taiwan, the elected representatives at different level will utilize the strategies of pending budget and bills or threat to deduce the budget for specific projects to force the bureaucrats to compromise and exchange 'mutual profits'. For these representatives, the purposes are generally self-interested rent-seeking. For bureaucrats (office authority), they can get the budget for the projects that want to implement.



unable to resolve challenges and pressures from globalization and democratization, it sheltered under an umbrella of security and identity, and rested on the legacy and the inertia of economic nationalism. Moreover, as the KMT chose the strategy to cooperate in black-gold alliances, the institutional core of autonomous and component bureaucracy was mostly eroded and captured by politicians. As Beeson comments “there are limits to what states can do, specific circumstances in which planned development seems to be effective, and a danger of entrenching a counter-productive institutional inertia where the relationships between political and economic elites are inadequately monitored and transparent, or where they linger on past their use by dates” (2005:10). The institutionalized patterns of interactions have ossified into self-serving obstacles to reform the state with more competitive advantages and blurred the responsibility of the politicians that should be put under surveillance by society. As such, there are impending concerns on how to construct long-term mechanisms that can prevent self-serving and corrupt relations.

In an ideal-typical democracy, “representative institutions and procedures embody a ‘sovereign view’ of power, since the leaders of parties winning electoral contests are authorized to take charge of the commanding height of the state and make decisions on behalf of their citizens. ...They are restrained by constitutional and legal arrangements” (Luckham, 2002: 308). However, this remains an ideal depiction of democracy. There are, however practical problems with ensuring the accountability of elected politicians as has been demonstrated in the tumultuous politics of Taiwan in the latter half of the 1990s as corruption become obvious to civil society. One means of addressing this issue is look at the social basis of democratization. As Luckham observes “any seriously emancipatory strategy of democratization and likewise development would need to empower subaltern or marginalized classes and groups, and not simply the ‘bourgeois’ groups in civil society, which are the mainstay of pluralist democratic theory” (Luckham, 2002: 312). In Taiwan’s developmental process, civil society was earlier suppressed by KMT party-state; and civil society is again struggling to keep pace with political leaders as democratic politics developed, as illustrated by the scant regard to ordinary citizens given during the period of black-gold alliances. Civil society is less harmed by the drive towards export-led



growth. In past five decades, society as a whole moved from an economic backwater into a knowledge-driven economy. Living standards and income have significantly improved. Returning to authoritarian rule can not guarantee another wave of development; and more state control of the economy can not warrant more efficiency and security. The discourse that depicts a divergence between developmentalism and democracy is misdirected. I believe both are achievable.

“Embedded autonomy” (Evans, 1995) and “governed interdependence” (Weiss, 2000) can provide some degree of explanation on technical or transformative capacity needed by the state or particular sectors in globalization. However, a single emphasis on the importance of technical capacity is not enough. A democracy needs more prerequisites for constructing comprehensive institutional, administrative, and political capacities for preventing decomposition from within. As Beeson observes, “once the developmental state has effectively done its job and ‘caught up’ with established industrial economies at the leading edge of production and knowledge, it is far from clear that the state planners are any wiser about the course of future technological development than the private sector” (2005:10) Reluctance to relinquish some of the economic controls and policy tools will not help to reinvigorate the autonomy and capacity of the state. The pivotal point is to “distinguish between those factors that may have undermined the utility of the developmental state from within, and those that have affected it from without” (Beeson, 2003:6). Well-institutionalizing domestic politics matter.

In sum, as Manor comments “those who seek to foster democratization and the redefinition of the developmental state should not expect to change human nature and deflect politicians, entrepreneurs in the private sector, or members of other social groups from engaging in conflict in pursuit of their individual and collective interests. Nor should they expect personalized politics to give way entirely to institutions” (1998: 128). However, the weaknesses of the development state in Taiwan derived from state’s incapability to launch mechanisms to balance the new emerging power configuration, to mediate balances between order and conflict, between self-interested personalized politics and institutions, between informal and formal



politics/institutions during the process of democratization (see Manor: White. 1998). All of these need a set of thorough designs and mechanisms that link state institutions and rejuvenate state autonomy and capacity to enable modernization and adaptation to the challenges of globalization.

### 7.1.3 Warfare vs. a normalized state: the supremacy of constructed national security and national interests?

The final debated issue in Taiwan is the domestic utilization of the warfare strategy. In section 1.1, I identified the origins and resources of state autonomy in militarism and national security (Hobden, 1998; Hobson, 2000; Mann, 1988; Skocpol, 1979; Tilly, 1990; Wad, 1999; Wade, 1990). According to statist and Weberians the internal military strategy was useful for “promoting not only domestic capacity building processes but also to secure internal pacification” and “military force is the means by which the state eliminates internal and external threats to its authority” (Hansen, 2002: 23). In a liberal democratic state, the domestic economic and civilian orders are supposed to be regulated by the administrative and institutional means of governances, including the judiciary, but not by military institutions.

However, the specific spatio-temporal contexts of Taiwan gave the KMT state more rooms for strategic-selectivity (see Jessop, 2001), to create a regime with an inward military orientation. This regime enjoyed significant primacy over administrative, institutional and political functions. Moreover, the judiciary does not independently serve to hold the state accountable for their doing (see Chin, 2003). Prior to the end of Cold War, the anti-communist ideology and political-military rivalry between East and West alliances provided the KMT party-state with legitimacy for its political, economic and social mobilization or demobilization. The constellation emanating from this power hierarchy was outlined in Chapter Four and summarized in Figure 4.1. In that constellation, weak civil society and subordinated domestic capital with few IEMP resources forced them to follow the dedicated strong state retreating from mainland China. Therefore, the administrative, institutional, political and technical policy of the state and judiciary institutions were politicized and militarized under



authoritarian discipline. It is consistent with the typical model depicted in Leftwich's "developmental state model" (1995; 1998) and Skocpol's "bringing in the state back in" approach (1979; 1990). Moreover, these militarist and nationalist legacies, and indeed inertia, were carried over into Taiwan's liberalization and democratization as the cross straits rivalry continues.

Chapters Five and Six indicate how the KMT state attempted to utilize the inward warfare and national security strategies to resolve the challenges of transformation arising from Taiwan's liberalization and democratization. Taiwan's geopolitical importance and special relations with China provided the KMT government more room to develop these warfare strategies with feasibility internally and externally, even as Taiwan has transformed into a liberal democracy. Section 5.2 shows most of economic and industrial policies in 1990s were unfolded from an intention to reduce Taiwan's dependency on China and an attempt to decrease Taiwan's vulnerability and sensibility to China's 'economic warfare'. Moreover, the social welfare policy, KMT's intra-party political struggles and social disorders caused by the 'black-gold politics' were all bracketed into the national security and identity package. Hence, this diplomatically marginalized small state selected a concealed internal warfare strategy for its survival.

Therefore, under the flags of national security and identity, the KMT (Lee's administration) could draw disparate and unrelated policies into the same package. State's failures, incompetence, corruption scandals could all be attributed to machinations from China. As such, national security is repeatedly utilized as a convenient instrument to deflect dissatisfactions and resentments emanating from society and businesses. The popular preferences are actually the product of manipulation by the state elite (Wu, 2000: 420). The political, economic and social pressures were met with a mixture of compromise and persuasion with the security issue of China kept visible in the background. As such, Taiwan's economy and society were repeatedly over-mobilized on issues of high-politics during the period of democratization. Even so issues of ethnic and identity began act as the basis for social fragmentation and conflicts since the mid-1990s. However, as argued, the



contradictions in the developmental state model were increasing seen by elements of civil society as indigenous. Therefore, I argue the inward warfare strategy could only be used to mitigate short term problems. From a long-term perspective, it might result in not only diplomatic marginalization but also economic marginalization.

As Weldes argues identity and national interests are constructed and reconstructed in relation to others. Threats are the insecurities faced by particular identities (Nieuwkerk, 2004, Weldes, 1999). Nieuwkerk further argues “some threat perceptions are a direct function of identity..... Other threat perceptions are a function of interpretation of actions or events made possible through the symbolic technology that is the security imaginary. Interests-those ‘national interests’ or ‘preferences’ articulated by decision makers-are also two-fold: they can be a logical function of the identity itself, or a function of specific threats constructed in relation to the identity” (Nieuwkerk, 2004: 91).<sup>246</sup> In construction of national identity, interests and security conceptions, the state monopolizes the advantageous dominant position to “pursue two kinds of policy preferences to operationalize their perceived/constructed ‘national interest’: material or ideological” (ibid). In the case of Taiwan, we can clearly see how the KMT party-state attempted to construct a new nationalist identity and interest around the insecurity within society and threat from China. However, it is very likely that a national identity, based on a multiple ideological resources, including culture, would have been more widely accepted.

Moreover, as Buzan *et al* identify the “existential threat and emergency measures” need to be scrutinized between “processes of politicization and processes of securitization” (Buzan et al, 1998: 21). However, generally the definition and criteria of security and why an agenda is designated as a security priority are hard to define. Buzan *et al* further clarify “national economies have a great claim to the right of survival, but rarely will a threat to that survival actually arise apart from wider security contexts, such as war. Unless the survival of the population is in question, the huge range of the national economy doing better or doing worse cannot be seen as

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<sup>246</sup> Accordingly, Nieuwkerk further argues “the three concepts are thus mutual constituted: it is in relation to identities, or identities and threat perceptions, that interests are identified” (Nieuwkerk, 2005:91).



existentially threatening” (ibid: 22). Obviously, the cross-straits economic interdependence and the anxiety over ‘hollowing out’ do not completely fit these criteria, not to mention the dichotomy between a workfare strategy and welfare policy and the ethnic conflict issues.

Besides, Kahler (2004) posits two ways to assess economic insecurity: one is the vulnerability of individuals, groups and societies; the other is the internal political consequences of that vulnerability. According to Kahler’s two assessments, the excellent macroeconomic performances of Taiwan in analyzed in Chapter Five suggested that the Taiwanese state was able to limit China’s political leverage. Moreover, Cheng, Tung and Kastner comment: “China’s willingness to impose sanctions against Taiwan will be constrained by the costs of sanctions, internal instability, and pressure of interest groups” (Tung, 2003: 35). The security externality of economic integration is unlike to undermine the long-term bargaining leverage within the context of the adversarial relationship (Kastner, 2004). The increasing economic interdependence might enhance security, rather than increasing Taiwan’s vulnerability. Further, the ‘hollowing out effect’ has proved to be a false alarm with industrial structures and employment patterns adapting to a new conditions (Cheng, 2005: 113). Meanwhile, the populations of tourists and businessmen migrating across the straits increased rapidly in the 1990s, China has become the leading destination for the export of Taiwanese productions and capital in the 2000s. The radical pro-independence voters in every poll since 1990 were below 40%. It is worth asking by whom, by what criteria and referential objectives that national security, interests and identity should be defined?

“Security constellations is a much wider concept than security complexes reflecting as it does the totality of possible interrelationships at all levels” (Buzan et al, 1998: 201). However, in a liberal democracy national security should not be merely defined by any self-referential politicians or partisans for their self-serving interests. It is a specific form of social praxis constructed by social relations (Buzan et al, 1998). The point prompted here is it do not matter whether China is hostile to Taiwan with ‘indecent intention’. The important question is whether elected politicians should



define security in narrow self-serving terms or whether they should incorporate the aspirations of civil society? Should politicians unlimitedly deploy the inward warfare strategy to cover their own incompetence and corruption? It is not merely an issue of political ethics or a politician's morality. The question of security is a broad one that of compelling interest in a democracy.

Briefly, in a functioning liberal democracy, the origins of state autonomy should be established by bureaucratic institutionalization at every level, neutral administrative offices (bureaucracy), transparency in political processes and the independence of judiciary. These mechanisms would help consolidate a democracy or a SWPR. "Developmental states most often imply that top bureaucrats either generate their own agenda or operate in pursuit of self-evident and unproblematic national goals" (Pempel, 1998: 144). Furthermore in a developmental state there is often a military theme embedded in the national developmental strategy which effectively gives an institution, the military, an inappropriate inward orientation. However, blurring the boundaries of state's warfare, welfare and workfare responsibilities will not rescue a sinking state. Long-termed over-mobilization around the high politics of security agendas exhausts the resources of the state, domestic enterprises and civil society. As such, I argue that if the government of Taiwan continues to follow the inward warfare legacy to resolve its domestic shortcomings, the threats of state dismantlement will not come from China, but from an internal decomposition.

In summary, the continuity and discontinuity of the developmental state in Taiwan are an open-ended contingency that dependent decisively on whether the state can reconstruct flexible mechanisms for resolving the problems and contradictions in welfare, workfare and warfare politics from a long-term perspective. The sustainability of economy, politics, society and military depend heavily on the capability and reflexivity of the state; and the ability of the state to articulate a far-reaching developmental strategy. This mission needs innovatory dynamics and reflexivity from inside the bureaucracy and political party. Reinvigorations of the institutional, administrative, political and technical capacities of the state would be encouraged by increased transparency and state support for an independent judiciary.



The state should have more confidence in the ‘quality and reflexivity’ of indigenous enterprises, civil society and its own personnel. This will help create a robust political entity that can create policy structure that will support long term economic competitiveness.

## **Section 7.2 Validations on theoretical arrow-diagram and analytic frameworks**

This section summarizes the evidences analyzed and inferences drawn, in the preceding chapters, to validate the theoretical arrow-diagram, test the hypothesis and establish the predictive model posited in Chapter Two.

### 7.2.1 Hypothesis testing

The hypothesis posits that the discontinuity of developmental state will be caused by power resources changes within four IVs (the international system, the state, the domestic enterprises and civil society), the state resistance to its resistances and incompetence of resistances. The null hypothesis is opposed to this. The historical sequences provide comparisons between independent variables and intervening variables in Chapter Four, Chapter Five and Chapter Six demonstrate the null hypothesis is rejected.

The power constellations in Figure 4.5 (p.160) and Figure 6.4 (p.256) show the disparities in IVs’ power resources at different levels and their reconfigurations. By the 1980s, the power constellation was a hierarchic configuration in which the international system was placed at the top of hierarchy, the state was supreme within the state territory, domestic capital was subordinated to the state and civil society was the weakest formation operating in the context of the developmental state. It is a typology that strongly resembles an ideal-typical derived from Skocpol’s “bringing in the state back in” approach (Figure 1.1, p.3). The authoritarian strong state was established through the monopolization of ideological, economic, political and military power resources (tangible and intangible). After 1987, as a whole there are salient divisions between geo-politics (military) and geo-economy (ideology)



reflecting the trend towards globalization and the end of the Cold War era. During this period, civil society and domestic enterprises gain substantial strength in relation to the state. The transformative dynamics accumulate from incremental increases in the IEMP autonomous power resources of civil society and domestic capital following the process of liberalization and democratization. On the one hand, global and regional economic integration facilitate the autonomous power of the export-oriented big enterprises and SMEs to resist interventions of the state; on the other hand, the fierce domestic political struggles endorsed the domestic-oriented enterprises with more bargaining power to ally with state authority for rent-seeking. These changes also permit the exclusion of mainlanders and some less powerful KMT factions from the political prominence. However, the new conservative black-gold alliances are the eroding factor that decomposes the administrative, institutional, political and technical capacities of Taiwan's developmental state model.

A number of political, economic, and social policies in this period were developed ostensibly to reduce Taiwan's integration and dependency on the mainland. This would, notionally at least, decrease Taiwan's vulnerability to the mainland and limit the possibility of China using an 'economic warfare' approach (Deng, 2000). However, at a more substantial level, the new policies also undermined the capacities of the state to manage the contradictions between accumulation and legitimation. These defensive policies also suggested the state was incapable of initiating a new mode of governance and shaping a new trajectory of development. The outcomes revealed divergence and contradiction between the intentions of the state and interests of domestic enterprises.

Taiwan's capitalist development provides hints, that the logic of capitalism might develop beyond the capacities of state to control and manage in the context of globalization. Pluralized civil society also accumulated more IEMP power resources to bargain with the authoritarian state as democratization progressed. As an incumbent political party, the KMT was desperate to consolidate its authority by winning the majority of working and lower middle classes votes in various polls and compete with the challenge from the DPP. As such, the strategic utilization of social provisions



without sufficient preceding preparations resulted in the generous welfare expansions in the national health system, elders' pension provision and unprecedented fiscal deficits since the 1990s. Moreover, the KMT chose a damaging strategy of cooperating with gangster organizations, local factions, and big rent-seeking businesses for winning elections after some unsatisfactory results in the early 1990s elections and the defection of some important young mainlander members.

In a conclusion, the comparisons of two historical sequences verify the four IVs gauged by measuring of autonomous power resources in the IEMP model are shown in the two distinctive IEMP power configurations depicted in Figure 4.5 (p.160) and Figure 6.4 (p.256) The increasing ideological, political, economic and military power resources at levels of the domestic capitalist development and civil society provide them with strength to resist the discipline of the state. Changes at the international level and two domestic variables have significant impacts on resisting and offsetting the strength of state autonomy and efficiency of state capacity. Globalization and democratization did cast challenges to the developmental state regime. However, the increased autonomous power resources at the domestic capitalist and civil society levels helped consolidate of Taiwan's liberal economic structures and social reflexivity. State autonomy and capacity were eroded by the warfare legacy and institutional inertia; and the incapability of the state to initiate new developmental trajectories and new modes of governance. These problems suggest a need for the reconstruction of the state's infrastructural (institutional, administrative, political and technical) capacities for accommodating itself to the forces of globalization and democracy. In the 1990s, the legacy of state technical capacity and mechanisms still contributed to the pioneering of some new competitive advantages in advanced and high-added value technology (electronic, IT, automatic industry, bio-chemical and nanometer- technology, TFT-LCD monitors) by supporting R & D resources used by private enterprises. These strategies contribute positive effects to macroeconomic performance, however the effects are sector-specific limited. Therefore, the validity of hypothesis one can be verified as it can be applied to deliberately explain power changes between two historical sequences.



### *7.2.2 The ideal power re-constellation in globalization and democracy*

Following the validation of the hypothesis, I outline a predictive model based on an ideal-typical power constellation of four IVs that suggests a model of how an EA developmental state might continue to function. The predictive model is purely theoretical and based on causal inferences that expresses trajectories of state transformation and outlines appropriate boundaries of state governance in the context of globalization and democracy. The authoritarian regime left few legacies in terms of effective coordination mechanisms and independent judiciary. As the state confronted challenges from internationalization of domestic capitalism and pluralized civil society, the interstitial gaps between these organizational weaknesses provided the ‘black-gold alliances’ with chances to act as an alternative to the primary authoritarian state.

The reconstruction of state should focus on institutionalizations and innovations of its institutional, administrative, political and technical capacities at both overarching and infrastructural levels. These institutions need to be protected from capture by fragmented interests in society and elected politicians. As a whole, the state trajectory should reflect the realities and dynamics at the international, domestic capitalism and civil society levels. Therefore, the unified goals or vision of the state at the overarching level should not be designed in an authoritarian sense by the dedicated politicians or a command bureaucracy. However, policies or projects at the infrastructural level need to be implemented with more despotic autonomy. As such, it suggests a duality on state capacities at the infrastructural level; whereas the overarching level should reflect demands of society coordinated and integrated by elected political authority under institutional scrutiny. Both of them need to draw on intangible institutionalized resources rather than dated controls on material resources.

At the infrastructural level, the rejuvenation of state capacity and autonomy need to be linked, to identify the “specific procedural factors that block effective policy-making and implementation” (Jessop, 2002: 227). As such, the institutions at this level should be focused on the capacities to effectively balance and implement the welfare



(redistribution) and welfare policies (accumulation), to coordinate economic and extra-economic mechanisms. to manage and mediate the external and internal changes, and to meet infrastructural demands and logistics needed by capitalist development and civil society. Therefore, the ideological power of the state should not be directed to propagandize any particular political ideology but should focus to foster the citizenship, culture, education, reflexivity, virtues of democracy and citizens' obligations regulated by constitution, laws, and national vision. Most importantly, the state should not utilize the concealed inward warfare and manipulated ideological strategies to forge national identity and blur the boundaries of welfare, welfare and warfare politics for domestic political consumption or concealing their problem-solving incapability and accountability.

As Leftwich emphasizes the “primacy and centrality of politics” are vital in shaping the forms and relations of both democratic and developmental “possibility and practice” (Leftwich, 1998: 77). The origins of state autonomy should be institutionalized and protected by the constitution, transparent laws and the judiciary, while not from the appointed political protection, insulation or any personal charisma. The incumbent bureaucracy (from central to local governments) is the institutional core of this reconstruction and their decision-making processes should be transparently scrutinized. This does not require the deployment of absolute power by the state. Restrained, or constrained, use of political and economic power and limited ideological power will be enough to achieve this purpose. However, infrastructural capacities should be operated in a more ‘despotic’ or ‘coercive’ sense to preventing interventions. As such, the predictive model suggests the EA developmental state model needs the reconstructions of administrative, political, institutional and technical capacities of the state as infrastructural prerequisites for its continuity and structural competitiveness.

At the overarching level, the state’s outward economic, political and military strategies should appropriately reflect public consensus and expectations within society. The top-down capacities of planning and coordination will endow state authority (elected) with autonomy to pursue collective projects and interests (Jessop,



2002). That is to say the overarching centralities and autonomy of warfare and workfare strategies can not be made without reflections to demands of civil society and capitalist development. Moreover, the institutionalization at this level also should be consistent with the regulation of global and regional organizations. These considerations suggest the process of securitization of politicians' behavior and decisions should be institutionalized in more deliberated designed and transparent mechanisms. The institutionalizations of these capacities will be the most difficult tasks for a developmental democracy. However, reasons for doing so have analyzed in 7.1.3. The 'technocratic-specificity in militarism' emphasized by Skocpol (1985) should be protected by careful institutional designs. Careful surveillance of security policy by society is a priority.



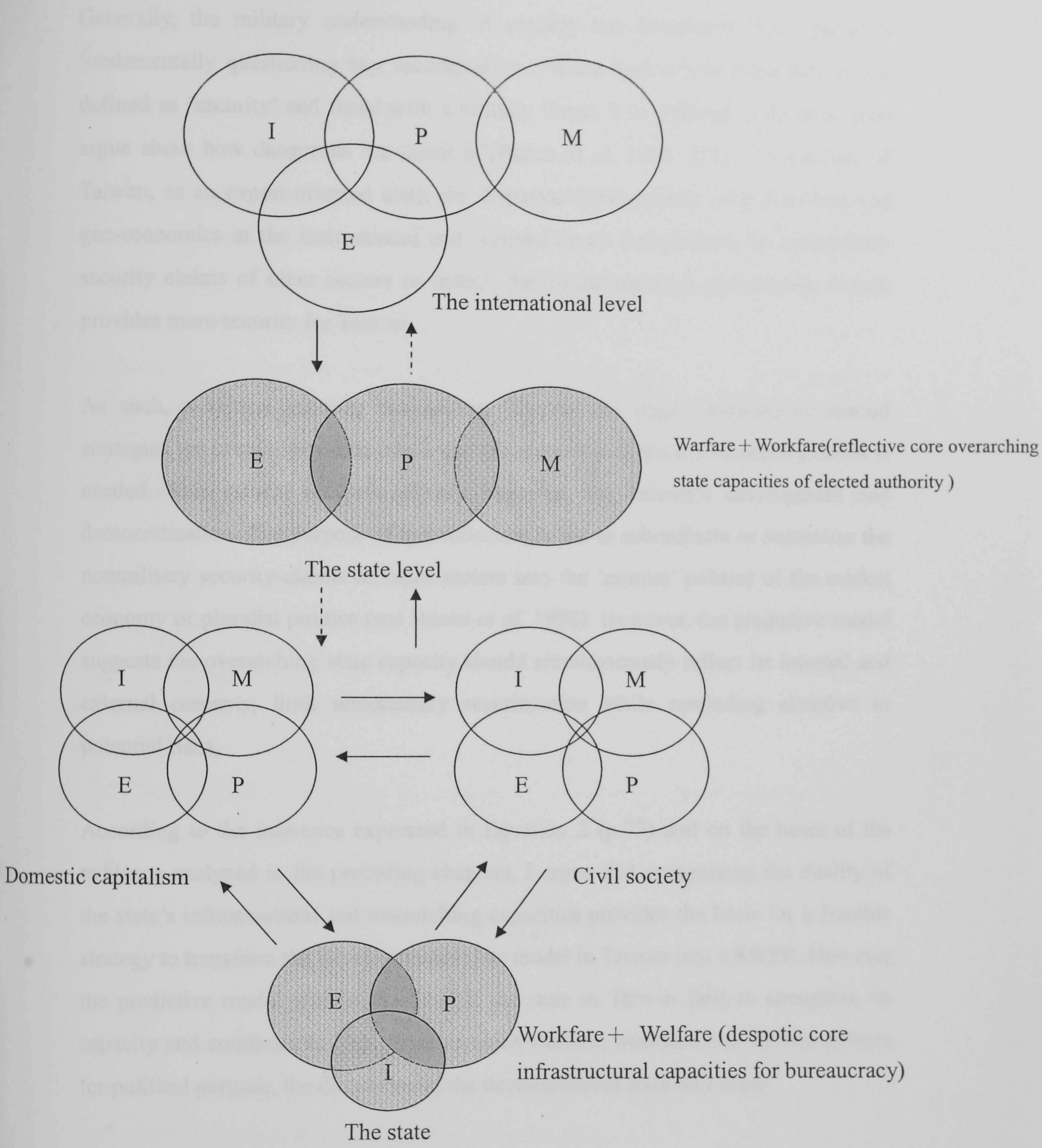


Figure 7.1 The ideal-typical power constellation in globalization and democracy as DV

Note: 1. Shaded circles means the 'hard core' of state autonomy and capacity.  
 2. Dashed arrows mean 'indirect' influence; solid arrows mean 'direct' influence.



Generally, the military understanding of security has foreclosed “the option of fundamentally questioning any securitization... When locked into a military sector defined as ‘security’ and faced with a military threat, it is difficult to do more than argue about how dangerous the threat is”(Buzan *et al*, 1998: 211). In the case of Taiwan, as an export-oriented state, the disparate developments of geo-politics and geo-economics at the international and regional levels delegitimize the nonmilitary security claims of other sectors or actors. An institutionalized global trade regime provides more security for Taiwan.

As such, a critical security analysis on whether the state’s outward or inward strategies are excessively securitized and unnecessarily draws in nonmilitary issues is needed. This critical analysis is very important for Taiwan’s development and democratization. The purpose of this reflection is not to subordinate or normalize the nonmilitary security claims of other sectors into the ‘normal’ politics of the market economy or pluralist politics (see Buzan *et al*, 1998). However, the predictive model suggests the overarching state capacity should simultaneously reflect its internal and external contexts; limit unnecessary securitization while reminding attentive to potential risks.

According to the inference expressed in Equation 2 (p.77) and on the bases of the evidence analyzed in the preceding chapters, I argue that recognizing the duality of the state’s infrastructural and overarching capacities provides the basis for a feasible strategy to transform the developmental state model in Taiwan into a SWPR. However, the predictive model also implies that if the state in Taiwan fails to strengthen its capacity and continues to blur the boundaries warfare, workfare and welfare politics for political purpose, the discontinuity the developmental state will occur.

In summary, the hypothesis is verified by the changing natures at different levels of IVs and the re-constellating power configuration of intervening variables. The verifications of Equation 1 (p.76) and Equation 2 justify the liability and feasibility of the ideal predictive model and the validation of the theoretical arrow-diagram in Figure 2.3 on inferring the continuity and discontinuity of the EA developmental state



model.

### **Section 7.3 Concluding remarks**

Empirically and theoretically, this thesis constructs a more nuanced analytical framework, based a more dynamic theoretical formulation, that can be used to explain transformation in the character of the EA developmental state under conditions of globalization and democratization. Methodologically, the thesis justifies methodological pluralism and reflectivism by going beyond a structure-agency dichotomy and deductive and inductive monism. The originality of the thesis lies in its presentation of a multi-causal and plural-methodological research design that stands as a clear alternative to orthodox EA developmental studies. These efforts achieve “higher degrees of consonance between the observed, the foreseen and the preferred”(Alker, 1996: 797) in Galtung’s integrated conception of social science (see Figure 2.6, p.91).The rest of this final section outlines the contributions made by this thesis to the divergence and convergence paradigms; and theories of international relations and developmental studies.

#### *7.3.1 Value-added Contributions to convergence and divergence paradigms*

This thesis has contributed to a critical evaluations of the existing body of EA developmental states model by providing an alternative open-ended approach that escapes the straitjackets of state-centrism and rationalism. These reflections do not prejudge the nature of structure over process and agency, privilege any system of “ecological dominance” over others (Jessop, 2000: 328), or give precedence to the overwhelmingly materialists account of state transformation over ideal and reflexive ones. However, this is not to suggest that the state transformation is “a process without a political subject” (Hay, 2004). On the contrary, this thesis is concerned with restating politics, re-politicizing the state and reconstructing the political processes in multi-causal and poly-centric perspectives. This thesis accounts for more variant forms of state regime and alternatives modes of governances (Cerny, 1995, 1997; Hay, 2004; Jessop, 2000, 2002).



The EA developmental states model along with its special geo-political positions emerged as a contingent outcome of a variety of complex and case-specific outcomes influenced by the Cold War and the regime of Atlantic Fordism. Following the same vein in Mann's original IEMP power networks, any mode of governances, institutional mechanisms and state interventions in these states are context-dependent and contingent-shaped, but not constructed and maintained in a contextual-free vacuum. Ultimately identifying the theoretical and methodological flaws and defects in orthodox developmental state approach provides the expanded IEMP models with a clear departure point for constructing an alternative way of examining changes in these states. As such, on probing the continuity and discontinuity of the EA developmental states, this thesis suggests the necessities to "avoid being caught in a conceptual schema that provides only for either incremental change supporting institutional continuity through reproductive adaptation, or disruptive change causing institutional breakdown and innovation and thereby resulting in discontinuity" (Streeck & Thelen, 2005: 8). Evidence presented in this thesis has proved that the incremental processes of changes of IVs appear to cause gradual institutional transformations at different levels that accumulate to cause discontinuities of the developmental state model under conditions of globalization and democratization.

The expansion of Mann's IEMP models can be justified on the ontological, epistemological and methodological grounds (see Table 1.6, p.46). At the ontological level, of the expanded model allows for reformulated poly-centric, meta-theoretical and multi-causal analytic framework. At the epistemological level, the expanded model comprises convergent and divergent realities by utilizing the evidences of deductive materialism, rationalism and inductive idealism and reflexivity. At the methodological level, the ontological and epistemological purposes are concretized by analytic tools those go beyond structure and agency, the endogenous preferences of calculative rationality and account for ideational reflectivity or indigenous preferences in a diachronic period.

At a more profound theoretical level, the core argument on continuity and discontinuity of the EA developmental states model is also a current debate within



comparative politics and political economy studies on divergence and convergence of various types of capitalism and modes of governance (see Coates, 2000; Hollingsworth & Boyer, 1997; Jessop, 2000; Kitschelt *et al*, 1999). In this debate, the neo-institutionalists and neo-Marxists, at least, agree with two points. First, there are sources and dynamics of convergence across various types of capitalism. Second, the divergence of capitalism did exist across different national territories by the structural couplings co-evolving with the other dominant systems in the same spatio-temporal space or society. The institutional embeddedness of various kinds of capitalism means there is not only one kind of institution (the free market) for economic growth and coordination (see Hollingsworth & Boyer, 1997; Jessop, 2000; Teubner, 2001).

Even as Kim claims “considerable divergence rather than convergence suggests that there is no particular set of general contingencies that inexorably leads to a single way of structuring economic units and coordinating their activities” (Kim, 2000: 100). However, Kitschelt *et al* (1999) conclude that no regional and national political economies have developed governance structures stable enough to avoid disruption from the globalized economy. Institutional divergence between different states is constrained by the ecological dominance of globalizing capitalism both structurally and strategically (see Jessop, 2000; Kitschelt *et al*, 1999). The impact of the globalized economy is not unique to developing or developmental states. Western advanced states are also disruption by global economic forces. The Janus-faced developments of capitalism show different forms of divergence and convergence in a society and embed them in various spatial-temporal matrixes. The dynamics of contemporary capitalism propelled along by poly-centric-headed forces, do not develop dialectically in a zero-sum contradiction between the state and market. In short, it is an issue of ‘convergence’ versus various ‘divergences’.<sup>247</sup> Therefore, explorations on transformation of any definite state should be embedded in an understanding of macro-contexts of “global production networks” (see Henderson *et*

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<sup>247</sup> The convergent point is a global free market; the divergent points are the compounded spatio-temporal matrixes and legacies in every single state.



*al*, 2002) and geo-politics.

In summary, this thesis suggests the EA developmental state model stands aside from the paradigms of convergence. The transformation of EA states need to be investigated in a more sober and broader perspective by probing its sources of divergence and convergence, and the sources of their continuity and discontinuity. The findings of this thesis suggest that both divergent and convergent paradigms can only reflect limited facets of the complex realities. Figure 7.2 indicates the trade-off of different approaches utilized to explore the developmental states by positioning them within Hay's 'parsimony-complexity trade-off' and 'inductive and deductive logics' category. In that the expanded Mann's models in this thesis are positioned as a more inductive, complex and reflexive approach for investigating the EA developmental states than the orthodox ones engaged in deductive, parsimony and rationality. Figure 7.3 presents the theoretical and methodological stances of divergent and convergent paradigms of various approaches and suggests their possible advantages and limits when applied. This thesis shows that the expanded Mann's models possess properties and insights for simultaneously elucidating convergence and divergence of developmental state changes without reducing macro factors to micro ones. The application of the expanded IEMP models needs furthering testing by applying it to different political regimes or governance modes. However, this thesis has verified the models' validity in the case of Taiwan and accounted for consequences of the twin pressures of globalization and democratization.



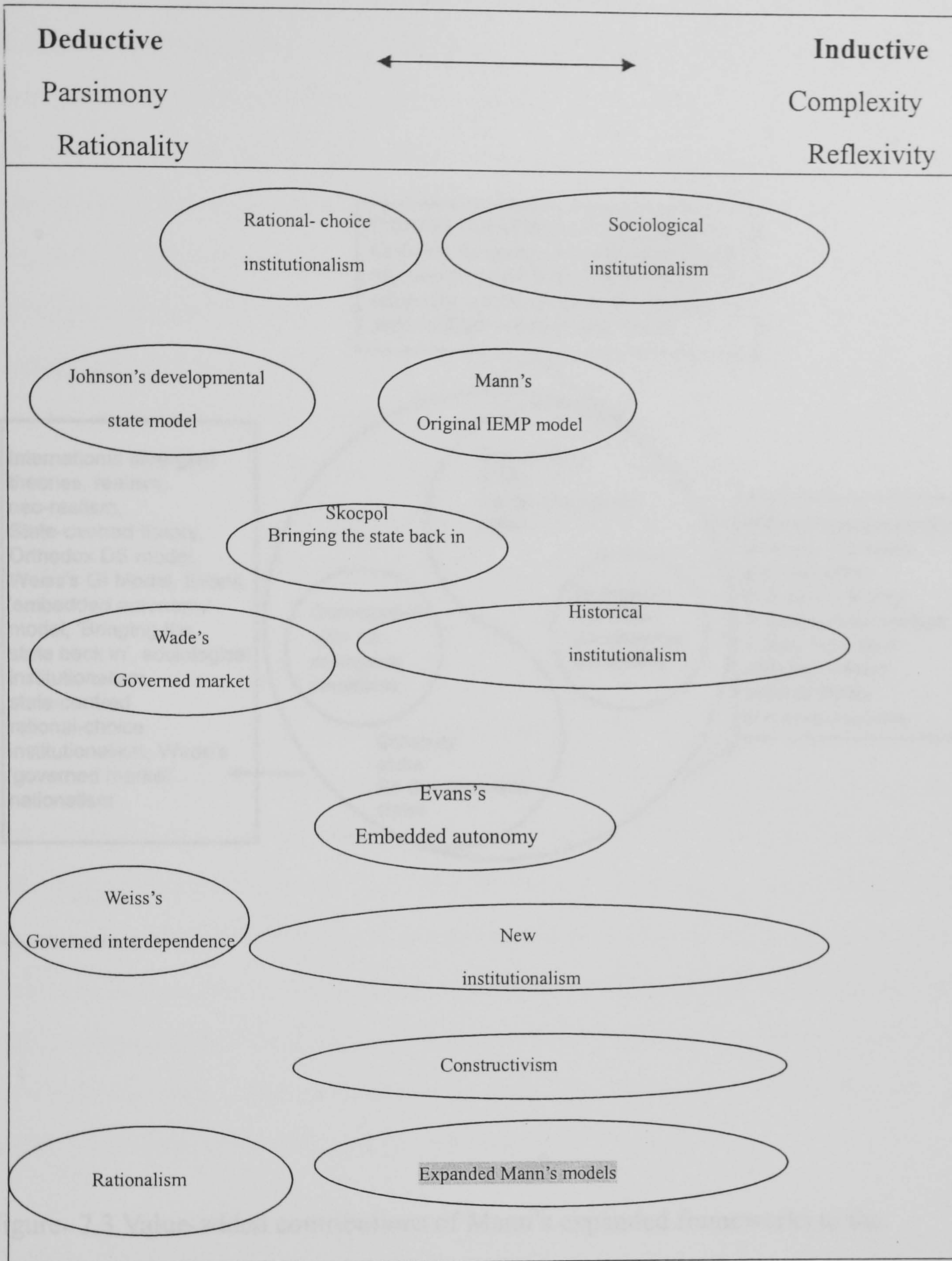


Figure- 7.2 Positioning methods of orthodox EA developmental state models, revisions and expanded Mann's models in Hay's 'parsimony-complexity trade-off' and ' inductive and deductive logics' category. Modified from Hay, 2002: 36, 47.



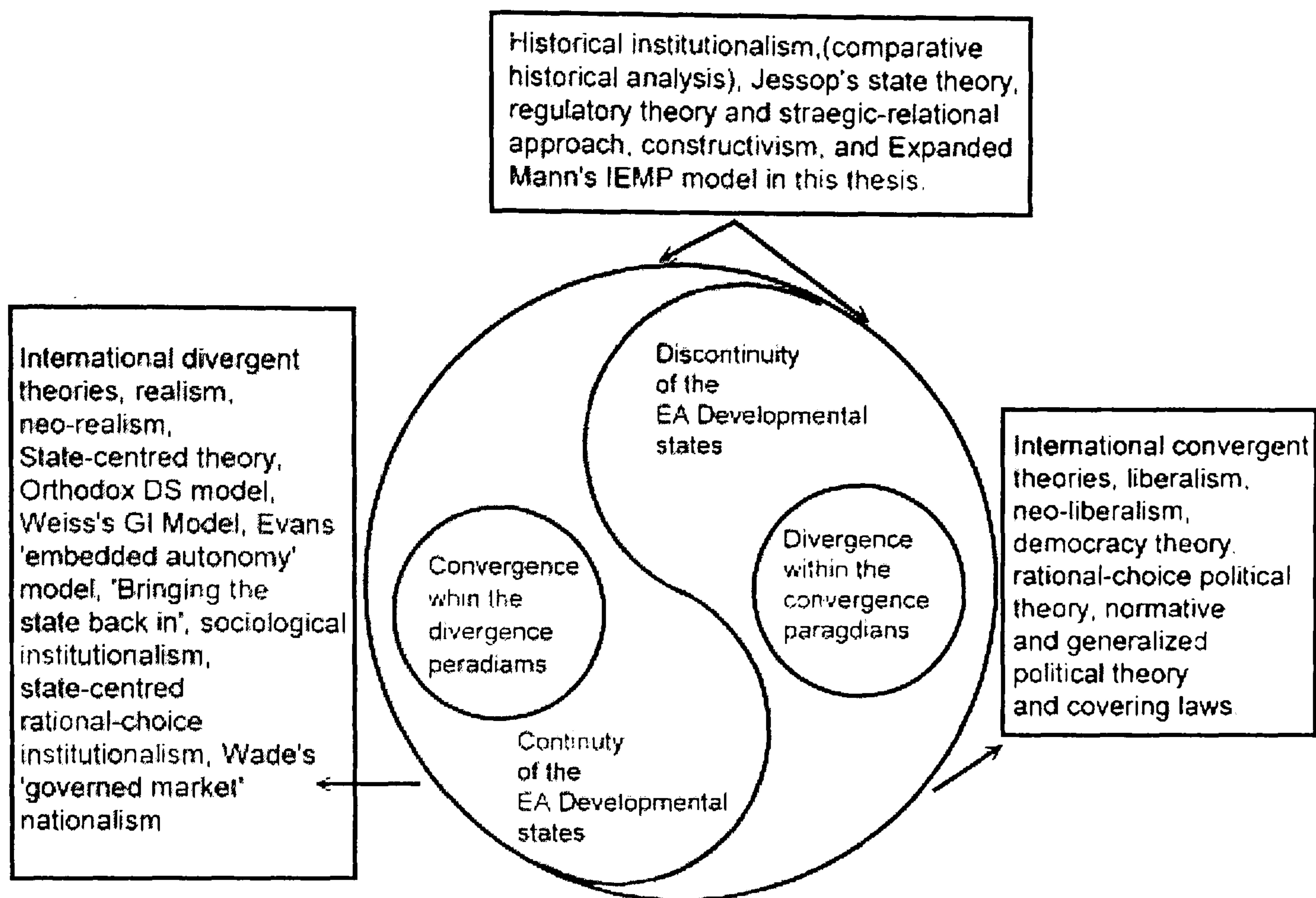


Figure- 7.3 Value-added contributions of Mann's expanded frameworks to the divergence and convergence paradigms

*7.3.2 Contributions to theories of the international relations and developmental state studies*

From a generalized perspective, the analytic frameworks and theoretical diagram in this thesis proposed theoretical and methodological amendments to Mann's works on "non-reductionist theory of the state" and "second-wave Weberian historical



sociology” (Hobson, 2002: 174-213). In the theoretical and methodological designs, the analysis of the four independent variables, avoided reducing the explanation to any single line of causal and effect. The design also kept the second-tier of state-society relations in view (see Hobson, 2000). These efforts shifted from Weber’s simplicity to complexity and enabled the concrete depiction of multiple and mutual embedded relations between the state and its resistances. Comparing two sequences in a contingent and open-ended design allowed for an inspection of the interstitial gaps between existing institutions for the IVs. Further, the incorporation of the ideational forces remedied the flaws of tendential rationalism and exogenous materialism in the orthodox state-centric developmental state theory on probing issues of state transformation or continuity and discontinuity of the EA developmental states.

For theories of international relations, as Reus-Smit indicates: “re-conceptualizing and re-theorizing the sovereign state has been central to the development of an historical sociology of international relations” (2002: 122). The theoretical constructions presented in this thesis joined with the concerns of historical sociology in international relations in three ways (see Reus-Smit, 2002). First, this thesis depicted the state as a singularly purposive agent but also permitted domestic capital and civil society to have a role in the constitution of the state. The allocations of active agents with autonomous powers go beyond that defined in Putnam’s “two-level game” (1988) in which the major agencies are compressed into two macro variables (state and society) without clear definitions and boundaries.

Second, the frameworks in this thesis retained the conventional emphasis on the international system and the state. Moreover, the domestic variables are given serious attention. This thesis clarified the complex interconnections between the state and its exogenous and indigenous resistant forces. It also allowed for the mutually constructive relationships and multiple interdependences that construct the international system, state structures, and explains how the identities and interests at different levels are shaped under specific spatio-temporal fixes.

Lastly, the thesis provided a directional character for the principle of multi-causality



when analyzing transformation of a 'normalized' or 'generalized' state. This thesis follows the lead of critical theory, historical institutionalism and constructivism in international relations by rejecting reductionist explanations based on rationalism and materialism, and reconstructing the multi-causality of power reconfiguration without occluding the role of ideas in identity and interest formation.

In terms of developmental studies, this thesis rejects single line deductive models and provides another way of conceptualizing the changing trajectories of developmental states. This thesis suggests a way of identifying changes in initial power configurations, causal mechanisms and modified relations that will eventually constitute a state orientation to development (Beeson, 2005; Jayasuriya, 2000; Stubbs, 1999).

From a pragmatic perspective, the core prerequisites of the orthodox developmental state model have had been eroded or weakened by incremental convergences with globalized capitalism and the diffusion of democratic pluralism. The institutional connections between the state, private sectors and civil society that built up the miraculous economic prosperity during their developmental stages will be inevitably dismantled and discontinued by the emerging resistances to the state. Moreover, the merits of developmental states model are also criticized by its inevitable dark sides: the unregulated nature of capital (Coates, 2000), risk descending into self-serving venality (Beeson & Robison, 2000), cronyism, exclusionary politics, nepotism and corruption (Winters, 2000).

However, the findings of this thesis do not support pessimistic claims about the future of the EA developmental states model or the end of Asian capitalism. On the contrary, in the case of Taiwan, the evidence implicitly suggests its Listian workfare legacy provides the state with the potential to transform into a SWPR rather than a reactive welfare state. I have suggested that an institutionalized duality that recognizes the differences, and links between the state's core overarching and infrastructural capacities might be a feasible way of rejuvenating the developmental state mode and enhancing its technical capacity. We need to be strongly aware of the differences



between the politics of warfare, workfare and welfare. Following this line of reasoning, the expanded IEMP framework can be used to understand and guide the EA developmental states undergoing transformation.

Hence, the redefinitions of the developmental state's boundaries in context of globalization and democratization mainly depend on its strategic IEMP power configuration. This constellation may need to be restructured to take account of the new forces of resistances reemerging from the interstitial gaps in the existing constellation (see Cerny, 1990; Hay, 1999b, 2004; Hall & Soskice, 2001; Hollingsworth & Boyer, 1997; Jessop, 1990, 2000, 2001; Kitschelt *et al*, 1999; Mann, 1986). The autonomous power resource of a re-engineered developmental state originates from careful institutionalizations of both overarching and infrastructural bodies. Autonomous power also follows from developing administrative, technical and political capacities and aligning them with warfare, workfare and welfare policies to reformulate a new mode of meta-governance that can enhance the structural competitiveness of the economy. Therefore, the expansion of Mann's IEMP model preserves the Weberian's merits of the bureaucracy, reminds us of the risks of partisan politics, highlights the dynamics of capitalist development and the international system, and emphasizes the importance of reflexivity in civil society.



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## Appendix 1

### Theoretical references for constructing IEMP criteria at different level

Level	Major theoretical bases	Particular references
The international system	Putnam "two-level game" (1988). Gourevitch (1978). Strange(1988). Kohen & Nye, 1977. Mann, 1993.	I Baldwin, 1993. Kegley, 1995. Lamy, 2001. Smith, 2001. Ruggie, 1982. Kransner, 1996.
		E Jessop, 1999a. Milner & Keohane, 1996. Garret, 1998. Swank, 2002 Eden & Hampson, 1997. Bello, 1998.
		M, P Mann, 2001. Gilpin, 2001. Russet, 1966. Gill & Law, 1995. Stubbs, 1994.
The state	Jessop, 1990:160. Six dimensions of the state	I, E Campbell, 2001 Campbell & Pedersen, 1998. Cox, 1986. Goldstein & Keohane, 1993. Hall, 1997. Hay, 2002. Keohane, 1996. Jessop, 1990. Weir, 1992.
		M, P Chu, 1989. Jessop, 1990,1999, 2000, 2002 Burrows & Loader, 1994. Hay, 1996 King, 1992, Marsh et al, 1999 Peck, 2000. Berger & Dore, 1996. Boyer, 1996. Coats, 2000. Rosecrance, 1999.
Domestic capitalist development and private enterprises	Whitley, 1998, 1999. Mann, 1997. Jessop, 2000.	I,E Whitley, 1998, 9999 Berger & Dore, 1996. Coats, 2000. Crouch & Streeck, 1997. Hollingsworth & Boyer, 1997. Hay, 2000. ORru, Biggart & Hamilton, 1997.
		M, P Jessop, 2000.



		Chan, Clark & Lam 1998. Huang, 2002. Gereffi, 1998. Moon & Prasad, 1998. Woo-Cuming, 1999.
Civil society	Cohen & Arato, 1992 Jessop, 2000. Pierson, 1991 (civil right, political right and social right)	I, E Forbes, 1993. Haggard, 1989.
		M, P Dixon & Drakakis-Smith, 1993. Hay, 1996. Marshall 1950 Pascall, 1993. Roche, 1992.

Note: the theoretical references are concretized into IEMP referential criteria at different level in Table 2.1.



**Appendix 2-1 The Public and Private Shares of Gross Domestic Product by Industry(as percent of Total)**

Year	Agriculture		Forestry		Fishing, & Animal Husbandry		Mining & Quarrying		Manufacturing		Electricity, Gas, & Water		Commerce		Transport & Storage		Financing, Insurance, Real Estate, & Business Services		Personal Service & Others	
	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share	Public Share	Private Share
1951	18.7	81.3	3.6	96.4	32.9	67.1	49.3	50.7	NA	NA	3.3	96.7	9.5	90.5	67.2	32.8	16.1	83.9	NA	NA
1956	16.7	83.3	3.5	96.5	23.7	76.3	36.7	63.3	NA	NA	4.5	95.5	6.1	93.9	54.6	45.4	22.2	77.8	NA	NA
1961	18.6	81.4	3.3	96.7	23.2	76.8	35.2	64.8	NA	NA	2.7	97.3	6.7	93.3	54.4	45.6	24.4	75.6	NA	NA
1966	17.8	82.2	3.7	96.3	17.8	82.2	29.5	70.5	99.4	0.6	3.8	96.2	4.0	96.0	43.3	56.7	23.3	76.7	1.3	98.7
1971	19.5	80.5	6.2	93.8	20.0	80.0	23.0	77.0	98.8	1.2	10.8	89.2	2.3	97.7	44.9	55.1	25.9	74.1	2.6	97.4
1976	20.3	79.7	6.0	94.0	21.6	78.4	19.8	80.2	97.8	2.2	29.1	70.9	1.2	98.8	46.4	53.6	29.1	70.9	3.6	96.4
1981	20.8	79.2	6.5	93.5	14.1	85.9	17.5	82.5	98.0	2.0	16.7	83.3	0.6	94.4	47.1	52.9	33.3	66.7	3.9	96.1
1986	19.1	80.9	3.9	96.1	18.4	81.6	15.8	84.2	97.7	2.3	17.8	82.2	0.4	99.6	44.5	55.5	27.8	72.2	3.3	96.7
1991	18.3	81.7	2.3	97.7	19.6	80.4	16.6	83.4	98.0	2.0	14.4	85.6	0.3	99.7	44.7	55.3	23.5	76.5	7.1	92.9
1996	17.3	82.7	2.3	97.7	13.0	87.0	15.3	84.7	98.1	1.9	11.4	88.6	0.2	99.8	47.4	52.6	20.9	79.1	7.1	92.9



**Appendix 2-2**
**Structural Change of Sectors in Taiwan, R.O.C.**

Year	Growth Rate of GDP	Agricultural Sector			Industrial Sector			Service Sector		
		Percent- tage	Growth Rate	Contri- bution	Percent- tage	Growth Rate	Contri- bution	Percent- tage	Growth Rate	Contri- bution
1952	11.98	32.22	11.75	3.79	19.69	3.33	0.71	48.10	16.11	7.47
1953	9.33	34.45	16.92	5.45	19.39	7.71	1.52	46.15	4.91	2.36
1954	9.54	28.03	-10.89	-3.75	23.92	35.13	6.81	48.05	14.04	6.48
1955	8.11	29.09	12.09	3.42	23.23	4.99	1.19	47.68	7.28	3.50
1956	5.50	27.45	-0.42	-0.12	24.41	10.86	2.52	48.13	6.51	3.10
1957	7.36	27.32	6.86	1.88	25.26	11.07	2.70	47.42	5.76	2.77
1958	6.71	27.76	4.52	1.24	24.83	4.88	1.23	48.41	8.94	4.24
1959	7.65	26.35	5.97	1.60	27.10	17.50	4.34	46.56	3.53	1.71
1960	6.31	28.54	15.14	3.99	26.87	5.42	1.47	44.59	1.83	0.85
1961	6.88	24.95	3.00	0.85	23.70	-3.70	-0.99	51.35	15.74	7.02
1962	7.90	23.81	2.95	0.74	24.19	10.15	2.41	52.00	9.27	4.76
1963	9.35	22.29	2.40	0.57	24.88	12.46	3.01	52.83	11.09	5.77
1964	12.20	22.48	13.15	2.93	26.01	17.27	4.30	51.51	9.41	4.97
1965	11.13	21.81	7.83	1.76	26.50	13.23	3.44	51.69	11.52	5.94
1966	8.91	20.56	2.66	0.58	27.76	14.13	3.74	51.67	8.88	4.59
1967	10.71	19.53	5.18	1.06	28.92	15.34	4.26	51.54	10.43	5.39
1968	9.17	18.77	4.93	0.96	30.57	15.36	4.44	50.66	7.30	3.76
1969	8.95	16.55	-3.97	-0.75	33.01	17.65	5.39	50.45	8.49	4.30
1970	11.37	15.49	4.27	0.71	34.71	17.12	5.65	49.80	9.94	5.01
1971	12.90	13.84	0.84	0.13	36.84	19.84	6.89	49.32	11.81	5.88
1972	13.32	12.58	3.00	0.42	38.92	19.71	7.26	48.50	11.43	5.64
1973	12.83	11.50	3.11	0.39	40.07	16.15	6.29	48.44	12.69	6.15
1974	1.16	11.61	2.19	0.25	38.96	-1.65	-0.66	49.43	3.24	1.57
1975	4.93	10.61	-4.09	-0.47	39.44	6.24	2.43	49.94	6.01	2.97
1976	13.86	10.09	8.26	0.88	42.13	21.60	8.52	47.78	8.94	4.46
1977	10.19	9.51	3.79	0.38	42.97	12.41	5.23	47.52	9.59	4.58
1978	13.59	8.28	-1.04	-0.10	44.78	18.36	7.89	46.94	12.21	5.80
1979	8.17	8.01	4.64	0.38	44.50	7.51	3.36	47.49	9.43	4.43
1980	7.30	7.32	-2.00	-0.16	45.33	9.28	4.13	47.36	7.01	3.33
1981	6.16	7.30	-0.38	-0.03	45.38	6.30	2.85	47.32	7.04	3.34
1982	3.55	7.73	2.45	0.18	44.40	1.30	0.59	48.87	5.85	2.77
1983	8.45	7.30	1.78	0.14	44.95	9.80	4.35	47.75	8.15	3.98
1984	10.60	6.33	1.80	0.13	46.16	12.69	5.71	45.22	9.82	4.69
1985	4.95	5.78	2.22	0.14	46.27	3.66	1.68	47.95	6.51	2.94
1986	11.64	5.54	-0.04	-0.02	47.11	13.30	6.02	47.35	11.48	5.50
1987	12.74	5.30	5.86	0.32	46.45	12.43	5.71	48.05	13.75	6.51
1988	7.84	5.03	1.05	0.06	44.83	5.18	2.37	50.14	10.97	5.27
1989	8.23	4.90	-0.55	-0.03	42.31	4.50	2.01	52.79	12.28	6.25
1990	5.39	4.17	2.08	0.10	41.35	1.09	0.47	54.60	9.17	4.84
1991	7.55	3.79	1.76	0.08	41.07	6.82	2.82	55.14	8.54	4.66
1992	6.76	3.45	-2.87	-0.11	40.11	4.28	1.76	56.44	9.27	5.11
1993	6.32	3.42	5.44	0.19	39.29	4.12	1.65	57.29	7.93	4.48
1994	6.54	3.07	-4.37	-0.15	38.97	5.69	2.24	57.96	7.77	4.45
1995	6.06	2.96	2.40	0.07	38.88	5.79	2.26	58.16	6.43	3.73
Average										
1952-62	7.93	28.18	6.17	1.74	23.87	9.76	2.17	48.04	8.54	4.02
1963-80	10.00	14.49	3.06	0.55	35.91	14.00	4.75	49.60	9.41	4.70
1981-95	7.52	4.74	1.24	0.06	43.16	6.46	2.85	51.67	9.00	4.57

Source: Li, 2002.



## Appendix 2-3

### Changes in Taiwan's economic structure since 1980s

	1980	1985	1990	1995	1998
<b>1. Expenditure Structure (% of GDP)</b>					
Private consumption	51.56	50.20	53.50	58.50	61.30
Government expenditure	15.90	15.90	16.80	15.30	15.20
Investment	33.80	18.70	22.50	23.50	21.60
Goods and service					
Exports	52.60	53.30	45.60	48.30	48.80
Imports	53.80	39.80	40.80	46.10	46.80
<b>2. Industry Structure (% of GDP)</b>					
Agriculture	7.7	5.8	4.2	3.5	2.7
Industry	45.7	46.3	41.2	36.3	34.9
Services	46.6	47.9	54.6	60.2	62.3
<b>3. Employment Structure (% of total employed persons)</b>					
Agriculture	19.5	17.5	12.8	10.6	8.8
Industry	42.5	41.6	40.8	38.7	37.9
Services	38.0	41.0	46.3	50.7	53.2
<b>4. Breakdown of Manufacturing Industry (% of total manufacturing output)</b>					
Heavy and chemical industry	46.2	47.4	55.9	66.4	71.5
Light industry	53.8	52.6	44.1	33.6	28.5
Private sector	85.5	87.7	89.7	91.1	92.1
State enterprises	14.5	12.3	10.6	8.9	7.9
<b>5. Export Structure (% of total exports)</b>					
Agricultural and processed agricultural products	9.2	6.1	4.5	3.8	1.8
Industrial products	90.8	93.9	95.5	96.2	98.2
a. Heavy and chemical products	35.6	34.1	46.7	59.2	64.3
b. Other industrial products	64.4	65.9	53.3	40.8	23.9
<b>6. Import Structure (% of Total imports)</b>					
Capital equipment	23.4	14.1	17.5	16.3	23.2
Agricultural and industrial raw materials	70.8	76.9	70.4	72.0	63.8
Consumer goods	5.8	9.0	12.0	11.7	13.0

Source: Council for Economic Planning and Development, Taiwan Statistical Data Book, 1999 cited in Chou, 2001: 72



### Appendix 3

#### Appendix 3-1 The Distribution of Governmental Expenditures According to Purpose, 1950-1986

(Unit %) selected years

Period	General Administration	National Defense	Education, Science & Culture	Economic Development	Social Security	Obligations	others	Total
1955	15.3	48.6	13.6	10.6	6.7	1.9	3.7	100
1960	11.7	49.4	13.6	14.0	6.9	0.1	4.3	100
1965	12.8	41.0	12.5	19.1	7.6	4.3	2.7	100
1970	13.4	37.3	16.9	18.6	10.0	1.6	2.1	100
1974	14.1	28.3	17.2	26.1	11.2	1.1	2.0	100
1975	15.7	24.5	16.8	30.3	10.2	0.8	1.7	100
1976	12.2	25.2	16.2	32.5	11.6	0.5	1.8	100
1977	12.0	25.0	15.1	35.5	10.9	0.3	1.2	100
1978	9.8	28.2	17.6	32.2	11.1	0.2	1.0	100
1979	10.0	28.5	16.7	31.4	11.8	0.1	1.3	100
1980	9.4	30.3	15.5	32.0	11.2	0.5	1.0	100
1981	9.9	24.6	17.7	34.1	12.0	0.4	1.2	100
1982	10.3	24.6	17.9	30.3	14.7	0.5	1.7	100
1983	11.1	27.4	19.7	24.7	15.5	0.9	0.9	100
1984	10.6	24.4	19.5	27.4	16.2	1.1	0.9	100
1985	11.3	24.8	20.4	25.3	16.2	1.1	0.9	100
1986	11.4	24.9	20.9	25.1	16.1	0.9	0.8	100

Source: Council for Economic Planning and Development, 2003, *Taiwan Statistical Data Book 2003*. Taipei: Council for Economic Planning and Development.

#### Appendix 3-2 Economic related indexes as a share proposition (in %) of GDP and unemployment ratio in Taiwan, 1952-1986.

Year	Growth Rate of GDP	GNP <sup>1</sup> (US\$)	Per Capita GNP <sup>1</sup> (US\$)	Exports (US\$m)	Import (US\$m)	Trade Balance (US\$m)	Unemployment Rate	Foreign Exchange Reserves (US\$ m)
1952	11.98	1,674	196	116	187	-71	-	-
1955	8.11	1,928	203	123	201	-78	3.73	-
1960	6.31	1,717	154	164	297	-133	4.01	-
1965	11.13	2,811	217	450	556	-106	3.30	245
1969	8.95	4,915	345	1,049	1,213	-164	1.88	361
1970	11.37	5,660	389	1,481	1,524	-43	1.70	540
1971	12.90	6,589	443	2,060	1,844	216	1.66	617
1972	13.32	7,906	522	2,988	2,514	475	1.49	952
1973	12.83	10,727	695	4,483	3,792	691	1.26	1,026
1974	1.16	14,458	920	5,639	6,966	-1,327	1.53	1,092
1975	4.93	15,429	964	5,309	5,952	-643	2.40	1,074
1976	13.86	18,492	1,132	8,166	7,599	567	1.78	1,516
1977	10.19	21,681	1,301	9,361	8,511	850	1.76	1,345
1978	13.59	26,773	1,577	12,687	11,027	1,660	1.67	1,406
1979	8.17	33,229	1,920	16,103	14,774	1,329	1.28	1,467
1980	7.30	41,360	2,344	19,811	19,733	78	1.23	2,205
1981	6.16	47,955	2,669	22,611	21,200	1,412	1.36	7,235
1982	3.55	48,550	2,653	22,204	18,888	3,316	2.14	8,532
1983	8.45	52,503	2,823	25,123	20,287	4,836	2.71	11,859
1984	10.60	59,780	3,167	30,456	21,959	8,497	2.44	15,664
1985	4.95	63,097	3,297	30,726	20,102	10,624	2.91	22,556
1986	11.64	77,299	3,993	39,862	24,181	15,680	2.66	46,310

Sources: 1. Calculated from <http://www.stat.gov.tw/public/attachment>, <http://www.coa.gov.tw>; <http://www.dghas.gov.tw> and <http://www.gov.tw/EBOOKS/>.  
2. Also in Dent, 2002: 209; Li, 2002: 28.



## Appendix 4

Appendix 4-1 Taiwan's exports to US, Japan, Europe, China(plus Hong Kong), and other countries (in US\$ millions)

	US		Japan		Europe		China (HK)		Others		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	
1989	24,036	36.3	9,065	13.7	10,954	16.5	7,042	10.6	15,207	22.9	66,304
1990	21,746	32.4	8,338	12.4	12,233	18.2	8,556	12.7	16,341	24.3	67,214
1991	22,321	29.3	9,189	12.1	14,001	18.4	12,431	16.3	18,236	23.9	76,178
1992	23,571	28.9	8,894	10.9	13,928	17.1	15,416	18.9	19,659	24.1	81,468
1993	23,588	27.7	8,977	10.5	12,902	15.2	18,470	21.7	21,155	24.9	85,092
1994	24,336	26.2	10,221	11.0	12,927	13.9	21,390	23.0	24,163	26.0	93,037
1995	26,407	23.7	13,157	11.8	15,725	14.1	26,482	23.7	29,885	26.8	111,656
1996	26,866	23.2	13,659	11.8	16,944	14.6	27,411	23.6	31,059	26.8	115,939
1997	29,551	24.2	11,691	9.6	18,415	15.1	29,314	24.0	33,107	27.1	122,078
1998	29,376	26.6	9,324	8.4	19,637	17.8	25,654	23.2	26,589	24.0	110,580
1999	30,901	25.4	11,900	9.8	20,320	16.7	28,548	23.5	29,919	24.6	121,588
2000	34,814	23.5	16,599	11.2	23,713	16.0	35,553	24.0	37,637	25.4	148,316
<b>Total</b>	<b>317,513</b>	<b>26.5</b>	<b>131,014</b>	<b>10.9</b>	<b>191,699</b>	<b>16.0</b>	<b>256,267</b>	<b>21.4</b>	<b>302,957</b>	<b>25.3</b>	<b>1,199,450</b>

Sources: 1. Calculated from Trade Statistics; Value of Exports & Imports by Country; Year Comparison of ROC Imports & Exports by Continent (Area), Exports

& Imports Value List, ROC. Published by Bureau of Foreign Trade, MOEA, various issues.

2. Data sources also cited and translated from Mainland Affair Council, Trade between Taiwan and Mainland China, Cross-Strait Economic Statistic Monthly, and Taiwan Trade Balance with Mainland China, Hong Kong, and the World. For details: <http://www.mac.gov.tw>.



**Appendix 4-2 Taiwan's imports from US, Japan, Europe, China (plus Hong Kong), and other countries (in US\$ millions)**

	US		Japan		Europe		China (HK)		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1989	12,002	23.0	16,031	30.7	8,381	16.0	2,349	4.5	13,501	25.8	52,264	
1990	12,611	23.3	15,998	29.5	9,586	17.7	1,787	3.3	14,193	26.2	54,175	
1991	14,113	22.5	18,858	30.0	9,975	15.9	2,544	4.0	17,370	27.6	62,860	
1992	15,770	21.9	21,765	30.2	12,479	17.3	2,528	3.5	19,461	27.0	72,003	
1993	16,722	21.7	23,186	30.1	13,559	17.6	2,744	3.6	20,848	27.1	77,059	
1994	18,042	21.1	24,785	29.0	15,949	18.7	3,391	4.0	23,180	27.2	85,347	
1995	20,771	20.1	30,265	29.2	18,700	18.1	4,934	4.8	28,877	27.9	103,547	
1996	19,971	19.5	27,492	26.9	20,143	19.7	4,764	4.7	29,998	29.3	102,368	
1997	23,233	20.3	29,021	25.4	21,600	18.9	5,911	5.2	34,657	30.3	114,422	
1998	19,678	18.8	27,000	25.8	20,584	19.7	6,062	5.8	31,338	29.9	104,662	
1999	19,692	17.8	30,590	27.6	17,583	15.9	6,618	6.0	36,202	32.7	110,685	
2000	25,125	17.9	38,557	27.5	19,012	13.6	8,408	6.0	48,903	34.9	140,005	
<b>Total</b>	<b>217,730</b>	<b>20.2</b>	<b>303,548</b>	<b>28.1</b>	<b>187,551</b>	<b>17.4</b>	<b>52,040</b>	<b>4.8</b>	<b>318,528</b>	<b>29.5</b>	<b>1,079,397</b>	

Sources: 1. Bureau of Foreign Trade, MOEA, Trade Statistics, Value of Exports & Imports by Country, Year Comparison of ROC Imports & Exports by

Continent (Area), Exports & Imports Value List, ROC.

2. Data sources cited and translated from Mainland Affairs Council, Trade between Taiwan and Mainland China, Cross-Strait Economic Statistic Monthly, and Taiwan Trade Balance with Mainland China, Hong Kong, and the World. For details: <http://www.mac.gov.tw>.



## Appendix 5

### Major Country Merchandise Exports to China, Imports from China, and Trade Balances with China, 1999, 2000

(Billion dollars)

Partner	Trading Partner Data						Chinese Data					
	1999			2000			1999			2000		
	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal	Exp	Imp	Bal
U.S.	13.1	81.8	-68.7	16.3	100.1	-83.8	19.5	41.9	-22.4	22.4	52.1	-29.7
Japan	23.4	43.0	-19.6	30.4	55.3	-24.9	31.5	34.0	-2.5	41.5	41.6	-0.1
EU	20.4	52.3	-31.8	24.5	69.5	-45.0	22.4	30.2	-7.8	30.8	38.1	-7.3
Hong Kong	57.6	77.9	-20.3	69.9	92.4	-22.5	6.9	36.9	-30.0	9.4	44.5	-35.1
Taiwan	21.3	4.5	16.8	26.1	6.2	19.9	19.5	3.9	15.6	25.5	5.0	20.5
Germany	7.4	14.5	-7.1	8.5	16.8	-8.3	8.3	7.8	0.5	10.4	9.3	1.1
S. Korea	15.0	8.2	6.8	17.7	11.1	6.6	17.2	7.8	9.4	23.2	11.3	11.9
Singapore	3.9	5.7	-1.8	5.2	7.0	-1.8	4.1	4.5	-0.4	5.0	5.8	-0.8
U.K.	1.9	5.7	-3.8	2.3	6.7	-4.4	3.0	4.9	-1.9	3.6	6.3	-2.7
France	3.4	6.8	-3.4	3.1	7.5	-4.4	1.0	5.4	-4.4	3.9	3.7	0.2

Source: Lum T. & Nanto D.K., (2002), CRS31, calculated from International Monetary Fund. *Direction of Trade Statistics Quarterly*, June 2000 and June 2001; U.S. Department of Commerce; China. Ministry of Foreign Trade and Economic Cooperation; PRC General Administration of Customs; Taiwan. Board of Foreign Trade; EU. European Union Delegation of the European Commission, *Eurostat*; Japan. Ministry of International Trade and Industry.



## Appendix 6

### Appendix 6-1 Foreign Direct Investment to Taiwan (1952-1986)

(In US\$ 1,000)

	US		Japan		Europe		Others		Total Amount
	Amount	%	Amount	%	Amount	%	Amount	%	
1952	0	0	0	0	0	0	1067	100	1,067
1953	1,881	50.9	160	4.3	0	0	1654	44.8	3,695
1954	2,028	91.4	14	0.6	0	0	178	8.0	2,220
1955	4,423	96.2	141	3.1	0	0	35	0.8	4,599
1956	1,143	32.7	1,323	37.9	0	0	1027	29.4	3,493
1957	11	0.7	887	54.7	0	0	724	44.6	1,622
1958	0	0	1,385	55.0	0	0	1133	45.0	2,518
1959	100	10.4	460	47.7	0	0	405	42.0	965
1960	14,029	90.7	503	3.3	0	0	941	6.1	15,473
1961	4,288	30.0	1,387	9.7	0	0	8629	60.3	14,304
1962	808	15.5	2,767	53.2	84	1.6	1544	29.7	5,203
1963	9,028	50.0	2,876	15.9	527	2.9	5619	31.1	18,050
1964	10,196	51.2	2,240	11.3	150	0.8	7311	36.7	19,897
1965	31,104	74.8	2,385	5.7	43	0.1	8078	19.4	41,610
1966	17,744	60.6	3,210	11.0	746	2.5	7581	25.9	29,281
1967	15,935	28.0	16,553	29.0	1,872	3.3	22,646	39.7	57,006
1968	37,834	42.1	18,079	20.1	1,763	2.0	32,218	35.8	89,894
1969	28,816	26.3	19,032	17.4	36,311	33.2	25,278	23.1	109,437
1970	67,852	48.9	29,774	21.4	11,694	8.4	29,576	21.3	138,896



	US		Japan		Europe		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1971	44,313	27.2	12,940	7.9	66,385	40.7	39,316	24.1	162,954	
1972	38,368	30.3	9,244	7.3	6,857	5.4	72,187	57.0	126,656	
1973	68,259	27.4	48,953	19.7	33,874	13.6	97,768	39.3	248,854	
1974	72,782	38.4	41,888	22.1	14,761	7.8	59,945	31.7	189,376	
1975	42,264	35.8	26,203	22.2	4,721	4.0	44,987	38.1	118,175	
1976	35,465	25.1	32,392	22.9	32,796	23.2	40,866	28.9	141,519	
1977	61,536	37.5	30,282	18.5	28,001	17.1	44,090	26.9	163,909	
1978	70,466	33.1	54,869	25.8	4,587	2.2	83,007	39.0	212,929	
1979	81,860	24.9	55,468	16.9	20,016	6.1	171,491	52.2	328,835	
1980	189,854	40.7	89,142	19.1	14,493	3.1	172,475	37.0	465,964	
1981	206,127	52.1	66,038	16.7	12,636	3.2	110,956	28.0	395,757	
1982	91,998	24.2	152,367	40.1	46,570	12.3	89,071	23.4	380,006	
1983	99,268	24.5	197,541	48.8	20,745	5.1	86,914	21.5	404,468	
1984	241,250	43.2	115,577	20.7	90,973	16.3	110,941	19.9	558,741	
1985	340,641	48.5	146,124	20.8	100,076	14.2	115,618	16.5	702,459	
1986	146,937	19.1	255,919	33.2	134,837	17.5	232,687	30.2	770,380	
<b>Total</b>	<b>2,079,608</b>	<b>32.4</b>	<b>1,438,123</b>	<b>22.4</b>	<b>685,519</b>	<b>10.7</b>	<b>2,217,007</b>	<b>34.5</b>	<b>6,420,257</b>	

Sources: Investment Commission, MOEA, Statistics on Approved Overseas Chinese and Foreign Investment by Area, ROC.



**Appendix 6-2 Foreign Direct Investment to Taiwan (1987-2000)** (In US\$ 1,000)

	US		Japan		Europe		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1987	446,505	31.5	432,238	30.5	214,333	15.1	325,720	23.0	1,418,796	
1988	160,838	13.6	444,937	37.6	97,552	8.2	479,211	40.5	1,182,538	
1989	380,942	15.8	667,552	27.6	314,593	13.0	1,055,212	43.6	2,418,299	
1990	581,301	25.3	838,947	36.4	282,681	12.3	598,843	26.0	2,301,772	
1991	612,078	34.4	535,249	30.1	165,499	9.3	465,593	26.2	1,778,419	
1992	220,350	15.1	421,176	28.8	164,963	11.3	654,885	44.8	1,461,374	
1993	235,099	19.4	277,974	22.9	214,349	17.7	486,054	40.1	1,213,476	
1994	326,839	20.0	395,789	24.3	244,862	15.0	663,227	40.7	1,630,717	
1995	1,303,882	44.6	572,818	19.6	337,749	11.5	710,891	24.3	2,925,340	
1996	489,082	19.9	545,776	22.2	201,064	8.2	1,224,914	49.8	2,460,836	
1997	491,456	11.5	854,103	20.0	406,524	9.5	2,514,546	58.9	4,266,629	
1998	952,027	28.9	539,677	16.4	371,481	11.3	1,431,529	43.4	3,294,714	
1999	1,145,345	27.4	514,127	12.3	461,508	11.0	2,064,423	49.3	4,185,403	
2000	1,328,633	17.5	732,869	9.6	1,213,391	15.9	4,332,862	57.0	7,007,755	
<b>Total</b>	<b>8,674,377</b>	<b>22.7</b>	<b>7,773,232</b>	<b>20.4</b>	<b>4,690,549</b>	<b>12.3</b>	<b>17,007,910</b>	<b>44.6</b>	<b>38,146,068</b>	

Sources: Investment Commission, MOEA, Statistics on Approved Overseas Chinese and Foreign Investment by Area, ROC.

Note : The others countries include Taiwanese MNEs in South East Asia countries or China through the third places.



Appendix 7

Appendix 7-1 Foreign Direct Investment from Taiwan (1952-1986)

(In US\$ 1,000)

	US		Japan		Europe		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1952	0	0	0	0	0	0	0	0	0	0
1953	0	0	0	0	0	0	0	0	0	0
1954	0	0	0	0	0	0	0	0	0	0
1955	0	0	0	0	0	0	0	0	0	0
1956	0	0	0	0	0	0	0	0	0	0
1957	0	0	0	0	0	0	0	0	0	0
1958	0	0	0	0	0	0	0	0	0	0
1959	0	0	0	0	0	0	100	0	100	100
1960	0	0	0	0	0	0	0	0	0	0
1961	0	0	0	0	0	0	0	0	0	0
1962	0	0	0	0	0	0	492	100	492	492
1963	0	0	0	0	0	0	1,428	100	1,428	1,428
1964	0	0	0	0	0	0	1,021	100	1,021	1,021
1965	0	0	0	0	0	0	971	100	971	971
1966	0	0	0	0	0	0	718	100	718	718
1967	0	0	0	0	0	0	967	100	967	967
1968	0	0	0	0	0	0	1,769	100	1,769	1,769
1969	100	82.0	0	0	22	18.0	0	0	122	122
1970	0	0	0	0	0	0	527	100	527	527



	US		Japan		Europe		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1971	100	8.3	0	0	0	0	1,112	91.7	1,212	
1972	440	10.7	0	0	0	0	3,684	89.3	4,124	
1973	561	17.5	0	0	13	0.4	2,636	82.1	3,210	
1974	100	1.4	0	0	0	0	7,271	98.6	7,371	
1975	800	33.1	50	2.1	0	0	1,569	64.9	2,419	
1976	1,195	26.8	0	0	0	0	3,265	73.2	4,460	
1977	1,650	12.0	0	0	0	0	12,139	88.0	13,789	
1978	3,270	62.9	116	2.2	97	1.9	1,713	33.0	5,196	
1979	620	6.6	584	6.2	10	0.1	8,150	87.0	9,364	
1980	35,130	83.4	222	0.5	1,000	2.4	5,753	13.7	42,105	
1981	1,645	15.3	0	0	2,231	20.7	6,888	64.0	10,764	
1982	2,500	21.5	0	0	0	0	9,132	78.5	11,632	
1983	2,858	27.1	0	0	0	0	7,705	72.9	10,563	
1984	30,530	77.8	0	0	0	0	8,733	22.2	39,263	
1985	35,690	86.3	23	0.1	891	2.2	4,730	11.4	41,334	
1986	45,967	80.8	62	0.1	194	0.3	10,688	18.8	56,911	
<b>Total</b>	<b>162,456</b>	<b>59.8</b>	<b>1,057</b>	<b>0.4</b>	<b>4,458</b>	<b>1.6</b>	<b>103,811</b>	<b>38.2</b>	<b>271,782</b>	

Sources: 1. Investment Commission, MOEA, Statistics on Approved Outward Investment by Area, Statistics on Approved Indirect Mainland Investment, ROC.

2. The capital flows to other countries are mostly Taiwanese MNEs registering their firms in tax free zones such as Hong-Kong, the US, Virgins Island, Cayman Islands and British tax-free zones to indirectly invest and conduct business in Mainland China or South East Asia (Cheng, 2005).



**Appendix 7-2 Foreign Direct Investment from Taiwan (1987-2000)**

(In US\$ 1,000)

	US		Japan		Europe		China		Others		Total	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
1987	70,758	68.9	3,481	3.4	199	0.2	---	---	28,363	27.6	102,751	27.6
1988	123,335	56.4	1,972	0.9	12,005	5.5	---	---	81,424	37.2	218,736	37.2
1989	508,732	54.6	335	0.0	2,365	0.3	---	---	419,554	45.1	930,986	45.1
1990	428,690	27.6	1,807	0.1	96,176	6.2	---	---	1,025,533	66.1	1,552,206	66.1
1991	297,795	16.3	3,431	0.2	60,490	3.3	174,158	9.5	1,294,314	70.7	1,830,188	70.7
1992	193,026	17.0	5,321	0.5	45,933	4.0	246,992	21.8	642,979	56.7	1,134,251	56.7
1993	529,063	18.9	63,297	2.3	255,823	9.1	1,140,365	40.7	812,752	29.0	2,801,300	29.0
1994	143,884	5.6	22,731	0.9	22,289	0.9	962,209	37.3	1,427,860	55.4	2,578,973	55.4
1995	248,213	10.1	8,811	0.4	59,890	2.4	1,092,713	44.6	1,039,964	42.5	2,449,591	42.5
1996	271,329	8.0	6,798	0.2	21,375	0.6	1,229,241	36.2	1,865,902	55.0	3,394,615	55.0
1997	547,416	12.1	32,342	0.7	131,235	2.9	1,614,542	35.8	2,182,833	48.4	4,508,368	48.4
1998	598,591	12.4	29,596	0.6	33,903	0.7	1,519,209	31.5	2,634,212	54.7	4,815,511	54.7
1999	445,081	9.8	121,867	2.7	82,382	1.8	1,252,780	27.7	2,619,683	57.9	4,521,793	57.9
2000	861,638	11.2	312,222	4.1	125,432	1.6	2,607,142	33.9	3,777,770	49.2	7,684,204	49.2
<b>Total</b>	<b>5,267,551</b>	<b>13.7</b>	<b>614,011</b>	<b>1.6</b>	<b>949,497</b>	<b>2.5</b>	<b>11,839,351</b>	<b>30.7</b>	<b>19,853,143</b>	<b>51.5</b>	<b>38,523,503</b>	<b>51.5</b>

Sources: 1. Investment Commission, MOEA, Statistics on Approved Outward Investment by Area, Statistics on Approved Indirect Mainland Investment, ROC.

2. The capital flows to other countries are mostly Taiwanese MNEs register their firms in tax free zones such as Hong-Kong, the US, Virgins Island, Cayman Islands and British tax-free zones to indirectly invest and conduct business in Mainland China or South East Asia (Cheng, 2005).



## Appendix 8

### Jessop's ideal-type SWPR

Jessop suggests the practical strategies of his SWPR to resolve the accumulation and legitimation problems in the liberal-democracy regime in four dimensions. However, he emphasizes the reflexive strategies are more important than these concrete as followed:

#### Neo-Liberalism

1. Liberalization-promote free competition.
2. Deregulation-reduce role of law and state.
3. Privatization- sell off public sector.
4. Market proxies in residual public sector.
5. Internationalization-free inward and outward flows.
6. Lower direct taxes-increase consumer choice.

#### Neo-corporatism

1. Rebalance competition and cooperation.
2. Decentralized regulated self regulation.
3. Widen range of private, public and other stakeholders.
4. Expand role of public-private partnerships.
5. Protect core economic sectors in open economy.
6. High taxation to finance social investment.

#### Neo-statism

1. From state control to regulated competition.
2. Guide national strategy rather than plan top-down.
3. Auditing performance of private and public sectors.
4. Public-private partnerships under state guidance.
5. Neo-mercantilist protection of core economy.
6. Expanding role for new collective resources.

#### Neo-communitarianism

1. Deliberalization-limit free competition.
2. Empowerment-enhance role of third sector.
3. Socialization-expand the social economy.
4. Emphasis on social use-value and social cohesion.
5. Fair trade not free trade; think global, act local.
6. Redirect taxes-citizens' wage, carers' allowances.

Source: Jessop, 2002: 262.