

Policy creates mistress economy

Written by Huang Tien-lin 黃天麟
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Uni-President Enterprises Corp is going to invest US\$30 million to set up a research and development headquarters in Shanghai. The company's decision once again lays bare the fraudulent nature of "manufacturing in China and receiving orders in Taiwan" — a notion that pro-China academics and media use to rationalize the trend for Taiwanese companies to "go west" and invest in China.

If there is no manufacturing industry left, what research and development is there likely to be? If there is no nation and no sovereignty, what kind of culture and creativity can there be? If industry and the economy are not thriving, how much strategic planning and design is likely to be done?

These are very obvious questions to ask, but that has not stopped the government in recent years from constantly uprooting industry, intentionally or otherwise, and transferring it root and branch to the other side of the Taiwan Strait.

In the process, the government has been peeling off the nation's sovereignty layer by layer and handing it to China. It has gone on to promote a baseless "mistress economy." These trends are dressed up with impressive, but illusory policies. While countless blocks of luxury apartments are being built to house the few who stand to benefit, most people can only admire these mansions from the outside.

A mistress economy is an economic policy that makes Taiwanese into a third party and does not allow people to play a central role. Instead, prosperity or decline depends on someone else — the real central figure. The triangular trade model, in which companies are supposed to receive orders in Taiwan and manufacture the goods in China, is what led to today's mistress economy.

This economic policy hands the central role over to someone else, and it is the reason young people entering the job market have to put up with miserable monthly salaries of about NT\$22,000 or less.

The mistress economy mentality has permeated politics, business and academia in Taiwan

over the last decade and has had very harmful effects. Taiwan and China signed the cross-strait Economic Cooperation Framework Agreement (ECFA) in June 2010, and it took effect later that year. The follow-up cross-strait service trade agreement was signed in June this year, but has yet to be approved by the legislature.

President Ma Ying-jeou (馬英九) has even been willing to sacrifice Legislative Speaker Wang Jin-pyng (王金平) to get the pact approved. These two agreements are part and parcel of the mistress economy setup, because in the long run they will both cause Taiwan to lose control over its own faltering economy. Last week, Ma gave his stamp of approval to the Cabinet's proposals for setting up "free economic pilot zones" (FEPZ). His government would have people believe that these zones will be the main ingredient for turning the economy around next year. However, a close inspection of the plan makes it clear that it is still stuck in the mistress economy framework. None of the "targeted industries" named in the plan are focused on improving industry. Rather, they emphasize attracting floating capital, or "hot money," from abroad, and especially from China. Whether it is financial services, intelligent logistics or educational innovation, they are all likely to attract the same flock of vultures who fight over whatever flesh they can find and fly away when they have picked the bones clean.

The flagging state of Taiwan's stock market is a clear reflection of this. Over the past decade and more, the market has not been boosted by overseas capital, or by Taiwan depository receipts (TDR), which are meant to attract investment from abroad. On the contrary, the freedom given to vultures to come and go as they please has caused the stock market to become emaciated. Investors all over East Asia are amazed by the rate at which Taiwan's stock market has been losing momentum.

However, one cannot completely deny the so-called "effectiveness" of the planned FEPZs. The bright side of the zones, as claimed by the Ma administration, is sure to be a focus for pro-KMT pan-blue media in the run-up to the elections in December next year. Stories like "such and such a company is set to invest tens of billions of New Taiwan dollars in FEPZs" are sure to come to light one after another. Such reports will try to give the impression that these zones are going to transform the nation. They will try to delude voters into believing that the "6-3-3" targets of 6 percent annual economic growth, US\$30,000 per capita income and less than 3 percent unemployment that Ma failed to fulfill by his promised deadline last year are finally within arm's reach. However, once the polls are over all such promises will prove to be as illusory as the TDR has been.

Farmland will be wrecked as it gets gobbled up by another "targeted industry" on the FEPZ list: "value-added agriculture." Value-added agriculture will entail bringing Chinese agricultural

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produce into the zones for processing them and selling 10 percent of them on the domestic market. This is simply a disguised way of importing Chinese farm products. Taiwan's agriculture will be diminished by competing products from China, and that is part of the plan. Taiwan is a country, so it should approach the world with Taiwan as the centerpiece.

It needs straightforward and aboveboard economic policies that promote the nation — policies comparable with the US government's reindustrialization policy and the "three arrows" that typify Japanese Prime Minister Shinzo Abe's "Abenomics." On the other hand, the kind of development plans that Taiwan definitely does not need are those that cling to the failed mistress economy mindset.

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Translated by Julian Clegg

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