

Capital outflows will rise after an ECFA: activists

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Labor rights activists and business leaders with experience working in China agree that signing a trade agreement between Taiwan and China would speed up capital outflow from the nation, but their opinions differ on solving Taiwan's unemployment problem.

A proposed economic cooperation framework agreement (ECFA) with China "would speed up outflow of domestic capital and the exodus of businesses and it will not solve the unemployment problem," Victims of Investment in China Association (VICA) president William Kao (高志強) said.

The core problem of the nation's shrinking economy is that Taiwanese businesses have lost their competitive edge on the global stage and that will not be solved by signing an ECFA, Kao argued, saying that Taiwanese business leaders had no choice but to move to China or other countries with cheaper labor.

Moreover, Kao said, China is not trustworthy and many Taiwanese have been stripped of their property and assets in China by the Chinese government, which has used "every method imaginable."

Kao himself is an example.

A group of unidentified men looted his Chinese factory in 1999. After asking the Chinese government for help to no avail for two years, he left China in 2001.

The government claims signing an ECFA will create 260,000 jobs, although the opposition says there could be as many as 890,000 jobs lost after it is signed, he said.

"The real answer is probably something in between," Kao said.

With 600,000 people out of work, unemployment is the most serious issue in the nation, he said. Unless the government removes the minimum wage requirement for foreign workers, there will not be a solution to the unemployment problem, Kao said.

"A problematic foreign labor policy enacted in 1992 is the root cause of all these problems," he said.

If the minimum wage of foreign workers was lowered and businesses were allowed to hire as many as 60 percent foreign workers, companies would be willing to move back to Taiwan, given China's inconsistent policies, investment environment and worsening social order, Kao said.

"That would create more jobs for local workers," he said.

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“I agree that the ECFA will not solve the unemployment problem, but I find it hard to agree with Kao’s theory,” Taiwan Labor Front secretary-general Sun Yu-lien (孫玉蓮) said.

An ECFA is basically a free-trade agreement that would only benefit specific sectors or companies, while most small and medium-sized businesses would suffer, Sun said.

“The only thing left in Taiwan would be lower-level service sector companies operating solely for domestic demand, just like what happened in Hong Kong after it signed its Closer Economic Partnership Arrangement [CEPA] with China,” he said.

Sun said Kao’s theory has been brought up by legislators previously, but it had not been implemented by the previous administration or the KMT government.

“It’s obviously not in line with mainstream opinion,” he said.

Sun expressed opposition to the theory because it does not respect labor rights, a universal value, and is against Taiwan’s labor policy that regards foreign labor as a “supplementary” workforce.

“If we agree with the principle of ‘equal pay for equal work’ ... if we agree that men and women should receive the same pay for the same work, then why should foreign workers be different?” Sun asked.

If the minimum wage for foreign workers was lower than that for domestic workers, Sun said it would lead to lower overall payment levels eventually because employers would rather hire cheaper foreign workers than domestic workers.

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