Taiwan's Labor Movement in the New International Division of Labor

Chuan-Chuan Tung*
Tamkang University, Taiwan

This paper attempts to explain the significant decline of Taiwan's labor movement and explore its future trend in the rapid changing society. The New International Division of Labor (NIDL) thesis forms the theoretical framework for this study. Results support my central argument that the vicissitudes of the labor movement are strongly influenced by the economy—from the so-called Bubble Boom (during which the economy grew based on domestic demand expansion which was driven by an unprecedented asset and real estate speculation and the rapid appreciation of the New Taiwan Dollar in the mid-1980s) to the deindustrialisation of Taiwan. The driving force behind this economic change is related to Taiwan's position in global economic restructuring. The NIDL thesis is proven useful to explain the relationships between the labor movement, state, and economy although several modifications are necessary for the Taiwan case.

Keywords: economic restructuring, labor movement, new international division of labor

*Direct correspondence to Chuan-Chuan Tung, Division of Futures Studies, Educational Development Center, Tamkang University. (e-mail: cctung@mail.tku.edu.tw) I would like to thank two anonymous JFS reviewers for their helpful comments on an earlier draft of this paper.
Introduction

The recent strike case of United Parcel Service (UPS) on August 4th, 1997 seemed to light up the future for the long-term gloomy labor movement in the United States. As America's largest strike in three decades, many of the 190,000 drivers and package sorters who went on strike that day won unexpected sympathy because it has showed some apparent contradictions in America's success story (The Economist 8/16/1997). However, long-term statistical data indicate a steady decline of the level of unionization from 1960s to early 1990s. It apparently points to a gradually declining significance of union movement in the U.S. (Morrison and Schmid 1994). Whether or not U.S. exceptionalism has been challenged by the UPS case, its occurrence raised the research interest in the newly industrialized societies (NISs).

The struggle of organized labor is a very recent phenomenon in Taiwan. It wasn't until the 1980s that the burgeoning labor movement came out and challenged the state's authoritarian labor policies. During the years 1983 through 1987 there were, respectively, 20, 37, 85, 38, and 63, reported instances of labor protest (Chu 1994:100). Between 15 July 1987, the day martial law was abolished, and 31 March 1988, Taiwan experienced a total of no fewer than 1,408 collective protest incidents (Wu 1995:60). Not only did the number of protests increase significantly but the average size of the participants involved expanded more and more as time proceeded. No less impressive than the frequencies and size of the protests was the severity of the protests, which also became more intensified over time. They ranged in severity from the remarkably self-restrained and peaceful to the more radical and aggressive (Chu 1992:104-105; Lee 1992:140). Compared to the "long silence" of the previous four decades, the 1980s clearly marked a new era for the labor movement in Taiwan. The abolition of martial law in 1987 was the turning point for workers that they embraced as a potential opening that would lead to the full development of the labor movement. Neverthe-
less, the promise of a strengthened and vital labor movement remains unfulfilled as the movement declined significantly during the 1990s.

Why has the promising beginning of the 1980s not resulted in a stronger, more vital labor movement but, instead, has diminished significantly, and perhaps, irrevocably into the 1990s? Research has indicated how puzzling it is that the labor movement lost its momentum within such a short period of time when the ruling KMT was no longer an authoritarian regime (Lai 1993:2). My central argument is that the decline of the labor movement is a consequence of economic restructuring. I will begin with a review of the New International Division of Labor (NIDL) thesis. The explanation that I will develop focuses on three major actors: (1) the labor movement itself; (2) the state; and (3) the economy.

The three major actors will be analyzed in the next section. Modifications to NIDL thesis will also be presented after the analyses. Finally, from a policy standpoint, it is hoped this research contributed to the development of innovative, yet feasible, policies governing Taiwan’s labor sector.

Theoretical Framework: The New International Division of Labor

According to Frobel (1980) et al., labor subordination in peripheral countries must be understood in the context of what he described as a new international division of labor (NIDL). NIDL can be described as the closing down of certain types of manufacturing operations in the developed countries and their subsequent relocation in foreign subsidiaries of the same company in the Third World where a vast reserve of cheap labor is available to be exploited. Relocating to the developing countries is a decision based on the valorization and accumulation of capital and the utilization of cheap labor. Capital, unlike labor, is easily transported across international boundaries. Capital, one might say, is unfettered while labor is often regulated and restrained (Cohen 1987:138).

In this process, one particular type of worker is sought after by
the transnational corporations (TNCs) and recruited into the world market factories. They are young, unskilled/semiskilled, highly productive and low-waged female workers (Frobel et al. 1980:347). Superexploitation of the labor force, the granting of tax incentives and subsidies, the repression of workers' rights and union activities are the mechanisms by which the new international division of labor controls the assets of developing countries (Hill 1987:20-21).

The NIDL has had a great impact on both the developed countries and the Third World countries. For the Third World countries, the necessity of economic growth and the need of international capital for a cheap and disciplined labor force push the peripheral state to attempt to subjugate and discipline its labor force. Third World countries will often set guidelines between the laborers and employers concerning rights to collective bargaining, strikes, minimum wages, and working conditions. Such policies have caused workers to view the state as both protector and enemy. For the developed countries, production relocation overseas leads to deindustrialization, which has had a deep impact on the labor force of more developed countries (MDCs), like the U.S., especially with the loss of jobs following plant closure. The deinvestment in developed countries is often a response to their high labor costs, full employment, increasing fringe benefits, strong unions, and the growth of welfare expenditures. Capital moves offshore in order to avoid wage increases and union activism, and to take advantage of the incentives offered by Third World countries in the areas of taxes and labor costs. The internationalization of capital by 'footloose' TNCs has been successful both in reversing the gains of labor in the MDCs and in deeply weakening the fledgling labor movements in the less developed countries (LDCs). At the same time, as capital moves to the Third World, Third World labor also starts to migrate to the higher waged developed countries and generates another threat to labor in these already stagnant labor markets. Hence, production offshore and the migration of workers into the developed countries should be seen as double trends of the same economic process -- the New International Division of Labor. Frobel's thesis underscores the
efforts taken by capitalists to weaken labor activism and, by so doing, to reduce their production costs (Berberoglu 1990; Frobel et al. 1980:90; Safa 1985:Viii-X).

The global sourcing of production (taking advantage of lower costs and other opportunities provided by relocating production in export platforms based in LDCs) has been variously referred to as the increasing mobility of capital, global integration, the new international division of labor, or the deindustrialization of advanced capitalist economies. The decline of traditional manufacturing has undermined labor strength and the production process organized by unions. With the development of a world market in the production sites, the industrialized and the developing countries have to compete with each other to attract industrial production (Frobel et al. 1980:13; Hill 1987:27; Nash 1985:256; Sassen-Koob 1985:245-6). According to Bluestone and Harrison (1982), no one is immune to job loss as America deindustrializes; the greatest brunt of the change, however, has been borne by blacks and women. It is these groups who are most likely to be laid off and have most difficulty in gaining reemployment. Wilson (1987) also demonstrates that manufacturing decline has caused the most severe job loss problems and family instability for blacks in the U.S.

The NIDL thesis is especially plausible in its emphasis on foreign pressure. For Taiwan, a small country with heavy trade dependence, the global economic restructuring is very influential to its further opportunities and constraints. The NIDL thesis will be extensively used as a conceptual framework for this paper.

Discussion and Theoretical Implications

The New International Division of Labor (NIDL) thesis is very useful in explaining the relationship between labor, state, and economy in Taiwan for both the past and the present. The shift of Taiwan's position in the international division of labor interacts with the changes in the relationships among the three major actors, that is, labor, state, and capital. In the earlier period, the state's direct
control over labor was necessary if the state was to achieve its goal of transforming Taiwan into an export-led industrialized country. In the 1960s, as U.S., Japan, and European capital expanded into Third World countries, Taiwan was integrated into the first international division of labor. It turned to export-led, labor-intensive industrialization and a largely female labor force flooded into the Export Processing Zones where cheap, disciplined, and docile workers had been guaranteed by the state to the venture capitalists from the First World. The ruling party exerted repressive control over labor and granted investors a range of benefits, including tax incentives, unlimited repatriation of profits, low wage labor, freedom from union unrest, and Export Processing Zones to build a good investment climate. Government provided these privileges and tax incentives for the firms in EPZs with little or no bureaucratic interference. One agency could manage all the official transactions from the initial investment application to foreign exchange settlement. Firms were exempted from custom duties, commodity taxes, and sale taxes (Pang 1992:215). Based on the successful export-oriented industrialization, Taiwan became an increasing affluent country among the first tier of Asian Newly Industrialized Countries (NICs), also called the Asian Little Dragons (Taiwan, Hong Kong, Singapore, and South Korea).

The 1980s labor militancy in Taiwan did not last to the 1990s. As the role of the state changed to more democratic in the 1980s, labor’s militancy quickly disappeared and was replaced by a new docility. The docility of labor (that remains into the mid-1990s) was caused primarily by economic factors rather than, as in the post-war era, by the state’s oppression. In the current decade, the ruling KMT is no longer the repressive regime that it once was. The removal of the state’s restraints allows one to study the relationship between economic factors and the labor movement in Taiwan today without the complicating effects of state controls over labor. Accompanying economic liberalization and internationalization policies, the location flexibility of capital greatly increased. This flexibility was well suited to the requirements of the second international division of labor
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in the East Asian Region, that is, that massive amounts of capital move from first-tier to second-tier Asian NICs and to mainland China, especially. Direct foreign investment increased significantly in countries like Malaysia, Thailand, Indonesia, The Philippines, and China. The crisis that Taiwan faced during this period was that capital began to leave Taiwan and production moved offshore in the ceaseless search for cheaper and more compliant labor. The result in Taiwan was a decline in its manufacturing base.

Taiwan had begun to experience its own deindustrialization. Its position shifted to a production relocation country in terms of the recent international division of labor in East Asian Region. Domestically, increasing wage standards, appreciated currency under U.S. pressure, increasing social welfare spending, and rising union activities in the 1980s pushed the capitalists to move to cheaper labor sites in the Southeast Asian countries and the Special Economic Zones in China. The production relocation resulted in plant closure and job loss in manufacturing sector, that is, the deindustrialization of Taiwan.

The double movements of capital and labor also occurred in Taiwan as they had earlier in industrialized countries in Europe and North America. Capital moved offshore and, simultaneously, immigrant labor arrived from Southeast Asia. The incorporation of the newly arrived immigrant labor severely threatened the already slack labor market for the aborigine people (China Times 5/2/1996). The NIDL thesis obviously has some explanatory power for the Taiwan case. Labor subordination by the state in the past served as an important factor that attracted capital investment to this developing Third World country. The free trade policies of developed countries also facilitated the movement of capital across international boundaries, which is essential to the global sourcing of transnational capitalism. However, as Taiwan enjoyed its successful economic development resulting from export-led industrialization, the large foreign reserve and the increasing trade deficit in the U.S. caused intensive pressures in the U.S. for protectionism. The 1980s labor militancy, increasing wage standards, high land costs, and appreciated currency
accelerated the foreign investment away from Taiwan and into Southeast Asia and China. Plant closures and the decline in manufacturing employment quickly weakened union strength. There were also immigrant laborers coming to the island to benefit from the comparative advantage of Taiwan's higher wage standard. It caused clan unemployment for the already vulnerable aborigine people.

Therefore, the question of the docility of Taiwan's workers must be answered in two parts. Initially, it was the result of repressive labor legislation; recently, however, labor has lost its militant voice as a direct consequence of Taiwan's increasingly vulnerable position within the NIDL. The muting of the working class before the 1980s and the sharp decline in the labor movement in the 1990s can both be explained by the NIDL thesis. The early state development strategies and labor subordination brought economic success. The democratic transformation of the authoritarian regime, the Bubble Boom, and militant labor sector plus the attractive investment opportunities abroad pushed capital offshore. These factors contributed to a change in Taiwan's position in the new international division of labor. Deindustrialization and economic recession ended the golden decade of the 1980s labor movement. In short, the long silence and the ups and downs of the labor movement reflected the shift of Taiwan in the process of global economic restructuring.

Taiwan also presents some important divergences that are not completely accounted for by the NIDL thesis. First, there is the fact that the majority of Taiwan's exports have been produced by local firms rather than by the transnational corporations (TNCs). Not only did foreign capital from U.S., overseas Chinese, and Japan flood into Taiwan in the 1980s, but so, too, did local capital (Hobday 1995: 30; Lee 1991:139-142; Pang 1992:216). Hence, labor subordination in the earlier period was not totally the result of the KMT regime's quest to attract foreign capital investment, such as TNCs, but also the byproduct of an increased investment by local capital. In Taiwan today, small and medium-sized enterprises have relocated to China earlier than did the large corporations. The role of the TNCs in Taiwan's development was not as important as the NIDL thesis
Second, the role of the state in the NIDL thesis is weak in comparison to the role of the mobility of capital, or the TNCs. The logic of capital mobility seems to transcend the boundaries of nation-states without limitation. However, it neglects the efforts of states to regulate the hyper-mobility of capital. For example, China authorities accused the Taiwan government of procrastination in establishing “the three communications and direct sailing” across the Taiwan Straits. It was difficult for China’s Special Economic Zones to fully utilize their advantage to attract additional capital from Taiwan. Resuming economic relations with Taiwan is important to China but national security and political concerns are the priorities of the Taiwan government. Economic interaction across the Taiwan Straits exists with political interference (Chen Chiu 1995:144; Wei and Zhu 1995:121). Hence, not all governments take a passive role regarding production relocation; state intervention is still active in Taiwan.

Third, the NIDL thesis particularly emphasizes the economic logic and hence neglects the role played by other social actors, such as social movements, political parties, and other groups in society. Even though the sharp decline of the labor movement in Taiwan was directly influenced by deindustrialization, there are other factors that need to be considered, such as the indifference of public opinion and negative press coverage.

Fourth, when direct foreign investment from Taiwan increased significantly and domestic economic recession continued in the 1990s, the development of the economy and the labor movement seemed to parallel the predictions of the NIDL. However, there is a need to look both at the positions of countries in the world economy and the relations between different countries. Different countries or areas have been affected by different historical development. A high level of abstraction for a single emergent pattern that generalizes the integration of Third World into the international division of labor fails to grasp the complex picture within each country (Cohen 1987:140). Hence, though Taiwan may encounter the same deindustrialization problem faced earlier by U.S., the future opportunities and con-
straints for Taiwan are definitely different from those of the U.S. The NIDL roughly dichotomizes the states into two groups -- the developing countries and the developed countries. It does not further distinguish the more detailed differences between countries within each of these two gross categories. This is particularly important for a country like Taiwan that has been changing so dramatically in the new international division of labor.

Conclusions

Findings support my arguments as follows. First, the rise and fall of the labor movement is strongly influenced by economic change -- from the so-called Bubble Boom to the deindustrialization of Taiwan. The economic boom greatly contributed to the rise of labor militancy and deindustrialization significantly led to the decline of the labor movement. The driving force behind this economic shift is related to Taiwan's position in global economic restructuring. The state of the economy may help to explain why strikes occurred frequently in one year but hardly at all in another year. Although the relationships between numbers of strikes and long-term economic fluctuations is not especially stable, the relationship between strikes and employer prosperity has been shown to be consistently positive in countries, such as France (Shorter and Tilly 1974:341-343). Other research also indicates that the level of protest around labor issues is more likely affected by short-term shifts in the economy (Chu 1994:113). The effect of economic factors became more significant and direct with the erosion of structural constraints, i.e., the state repression.

Second, data also support my argument of the role of the state in current labor-management relations. Although the state is no longer the repressive regime it once was, it nonetheless has failed to play an active role in protecting labor from the dislocations caused by a rapid economic restructuring.

As Taiwan has undergone rapid economic development and social change during the past half-century, it has experienced a two-
stage economic restructuring and positioning within the international division of labor. As an initially underdeveloped country, Taiwan received significant amounts of foreign investment capital. During this first stage, Taiwan was governed in a very authoritarian manner and labor activism was largely muted. In the second stage, however, which is marked by Taiwan's industrialization and growth, it is now an exporter of investment capital and manufacturing facilities. Before the 1980s, disciplined, silent, and cheap labor contributed significantly to the rapid growth of export-led, labor-intensive industrialization. The state rarely intervened in labor-management disputes and passed oppressive labor legislation to ensure labor subordination. Though the KMT actively promoted unionization to build party allies and absorb social resources, state-created unions atrophied as they lacked any regular union function. The muting of working class consciousness was not only a result of KMT's development strategies, but also a response to the historical formation of the authoritarian regime.

Taiwan's so-called post-war economic miracle of rapid economic growth and low income inequality proved to be difficult to sustain changed economic circumstances of the 1980s. Taiwan's cheap labor policy which allowed the miracle to take place, was challenged by the industrializing latecomers in Southeast Asia and mainland China. As Taiwan's industrial upgrading lagged behind, the pressure from the U.S. for economic liberalization and internationalization increased. The competition from second-tier Asian NICs and China pushed Taiwan to attempt to restructure its economy and polity. Democratic reform of the ruling KMT and the rise of opposition parties, the Bubble Boom of the 1980s, and the increasing vitality of social groups signified a great transformation of the country in the 1980s. At the same time as Taiwan embarked upon its programs of political democratization and economic liberalization and internationalization as part of the new economic regional integration treaties in East Asia, capital outflow and production relocation were the two accompanying economic trends. The internationalization of capital and production counteracted domestic increasing labor cost,
union militancy, environmental protection requirement, high land cost and shortage of industrial land, and increasing transportation costs. The outward investment was also accelerated by the economic incentives offered by the second-tier Asian NICs and Special Economic Zones in China. Deindustrialization, the growing informal economy, and the adoption of immigrant labor each had a negative impact on the newly arising labor activism. At the same time, the revision of state labor legislation and the fragmentation of labor movement organizations also weakened the collective power of workers.

As the NIDL thesis suggests, the impact of production abroad and deindustrialization at home will severely weaken labor activism and union strength. When plant shutdowns and job loss hit the domestic industrial workers, a sharp decline of the labor movement was a predictable response to the economic hardship. The removal of the state's direct restraints over labor (the democratization of KMT (the ruling party) regime) allows us to examine the weight of economy upon labor activism.

In brief, Taiwan's transformation from a Third World developing country in the first international division of labor (the expansion of U.S., Japan, and European capital to Third World countries) in the 1960s to a more developed country in the second international division of labor (the economic integration in NAFTA, EC, and Asia-Pacific Region) in the 1980s generally reflects the predictions of the NIDL thesis concerning the relationships between the labor movement, the state, and the economy in both the host and home countries. Nevertheless, as noted earlier, a consideration of the Taiwan case strongly suggests that some modifications of the NIDL thesis are necessary.

It is a time of both crisis and opportunity for Taiwan. At the international level, the Beijing government has never ceased being a military threat to Taiwan, as the recent missile tests near the Taiwan Straits indicate. It is clear that these missile firings constitute an attempt to intimidate Taiwan in the weeks before its first-ever direct presidential election of March 1996. China authorities usually
attempt to isolate Taiwan and hence the latter is excluded from most international organizations, such as UN and GATT. Fewer than thirty countries have official relationships with Taiwan. Although the international political platform offers Taiwan little space to make its positions known, it has been successful in the economic arena. In order to match the formation of trading blocs in Europe, North America, South America, and East Asia, Taiwan's future development depends on industrial upgrading, the quality improvement of its service sector, and a crucial execution of Asia-Pacific Operations Hub Plan (APOHP). Although domestic democratization is expected to continue, the state is unlikely to play an early repressive role towards labor or to be a labor protector as considering its economic liberalization and internationalization policies. Given the above studies, domestic labor movement is unlikely to reverse its weak situation in the near future.

Policy Suggestions

The days when Taiwan can take a comparative advantage from cheap labor are gone forever. Only with the improvement of human capital, investment in capital-intensive, high-technology production can rebound to Taiwan's comparative advantage because of its abundant supplies of high-skilled and well-trained labor. Correspondingly, significant improvement in the quality of Taiwan's labor will enhance the bargaining position of its workers, give labor unions the power they need to effectively represent and advance the interests of their members, and help facilitate Taiwan's entry into such international bodies such as the International Labor Organization and the World Trade Organization (Tung 1997: 62). Several steps much be taken if Taiwan is to secure a higher place in the regional division of labor, ensure the success of its APOHP and for the labor movement to flourish in the years ahead.

First, there is a continuing need to improve the overall level of education in the country. In order to remain competitive in the rapid changing domestic and international environments, uniform pro-
grams of education that fail to encourage creativity should be qualitatively changed. In so doing, the resulting flexible rather than unilinear and uncritical thought of the educated youth will enable these youth to lead more interesting and productive lives. It will also allow the society to make maximum use of the talents of a broad range of its citizenry and, by so doing, to keep Taiwan's work force competitive in a rapidly changing international environment.

Second, the state should emphasize and allocate more resources to professional education and training, labor education, and on-the-job training. Well-designed economic policies and labor policies can be mutually complementary; the nation's development and a cooperative labor-management relationship can be mutually reinforcing rather than mutually exclusive.

Third, in order to increase labor force participation, the government must ensure the ample provision of child-care services, employment information, short-term job training, and more flexible working conditions for the young working-class families and still underutilized female labor force. It is especially difficult for a woman who wants to reenter the labor market after leaving for a period of time for childbearing and family responsibilities. According to official statistics, as high as 73 percent of the women with working ability withdrew from labor market because of family responsibilities (CLA 1993:13).

Perhaps most important of all, national goals and worker well-being must be seen as equal parts of a mutually reinforcing relationship rather than competing interests in a zero-sum game. The state has issued well-designed labor polices but they cannot work without active execution. In terms of labor legislation, unreasonable and outdated laws should be amended as soon as possible. For example, the ban on the horizontal alliance among unions that cross different industries and government areas needs to be lifted. Article 14 of the Constitution has granted citizens the freedom of assembly and association. The state does not have any good rationale for not abolishing this unreasonable rule. This horizontal restriction has exercised a very negative effect on union strength. The state has yet to indicate
any intention to remove the ban from the Labor Union Law. As this ban is a violation of international conventions, its amendment will have a positive effect on the state's reputation as a democratic redoubt in East Asia. For in the final suggestion, either we will learn to move forward all together or we won't move at all.

Notes

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China Times. A Daily Newspaper Published in Taipei.


