5

Taiwan

Hsin-Huang Michael Hsiao and Cheng Hsiao-shih

Introduction

Before the government of the Republic of China (ROC) was defeated by the Chinese Communists and took refuge in Taiwan in 1949, the ruling party, the Kuomintang (KMT, or Nationalist Party), was already torn apart by factional conflicts and plagued by rampant corruption. Its army was disintegrated and humiliated by the debacle in the Civil War. Furthermore, the émigré regime was strongly resented by the native Taiwanese for the brutal and bloody massacre triggered by the February 28 Incident in 1947.

In economic respects, the prospect for development was dismal as well. The war-ridden island was mountainous and heavily populated. Its natural resources were scarce. Ninety-nine per cent of its oil supply depended on imports, for instance. In the early 1950s, the government even had to set aside more than 50 per cent of its national budget for defence spending per annum to cope with the armed threat from the People's Republic of China (PRC).

And yet, Taiwan survived and throve, even though it was cut off from crucial diplomatic ties from the early 1970s. By the late 1970s, it had been widely recognized as a ''miracle'' by the world. Its economy had grown rapidly and continuously; the society had been transformed from one of agriculture to one of industry, with a fairly equal income distribution among different social classes. This phenomenal economic and social

success was made possible despite the KMT's long-lasting authoritarian rule. These simple and basic facts pose some intriguing theoretical questions. To what extent and in what ways, if at all, has the KMT party-state contributed to Taiwan's socio-economic development? Was the KMT's authoritarian rule merely coincident with or a necessary condition for Taiwan's admirable socio-economic development? These are the critical questions that this chapter is intended to tackle.

We will begin by examining the developmental trend under authoritarianism between the 1950s and 1986. Taiwan's social and economic development since the democratization process was formally staged in 1987 will then be assessed. The impact of democratization and the consequently emerging party politics on post-democratization economic governance will also be analyzed.

Socio-economic developments in the authoritarian era 1950–1986

Overall development patterns

Taiwan's economy has been growing continuously since the early 1950s. The gross national product (GNP) rose from US$1.674 billion in 1952 to US$77.296 billion in 1986. During this period of time, the annual growth rate of GNP was 9.0 per cent on average. Per capita GNP rose from US$196 in 1952 to US$3,993 in 1986 (see table 5.1).

In terms of its production structure, Taiwan's economy had been transformed from an agricultural system to an industrial system. As clearly shown in figures 5.1 and 5.2, the role of agriculture in the Taiwan economy began to be taken over by the industry and service sectors after the mid-1960s. Foreign trade, the lifeline of Taiwan's economy, initially exhibited the same track of industrialization, but from 1966, raw and processed agricultural products were outweighed as a proportion of exports by industrial products. In 1952, 52.4 per cent of the total population worked in the agricultural sector, but the percentage dropped to 22.1 by 1986 (CEPD 1997, 64).

In terms of ownership, state enterprises played a pivotal role in Taiwan's industrialization during the 1950s and 1960s. In 1952, state enterprises accounted for 57 per cent of total industrial production and 43 per cent of domestic capital formation, and employed 17 per cent of Taiwan's civilian employees. The center of gravity gradually shifted to private enterprises in the 1970s. By the early 1980s, state enterprises contributed less than 20 per cent of total industrial production (Hsiao 1995, 81; CEPD 1997, 82). This does not mean that state enterprises' influence on industry

Table 5.1 **Taiwan economic indicators, 1952–1996**

	Economic growth rate at 1991 prices (per cent)	GNP (US$ million at current prices)	GDP (US$ million at current prices)	Per capita GNP (US$)
1952	12.00	1,674	1,675	196
1955	8.10	1,928	1,928	203
1960	6.30	1,717	1,718	154
1965	11.10	2,811	2,816	217
1968	9.20	4,236	4,248	304
1969	9.00	4,915	4,921	345
1970	11.40	5,660	5,670	389
1971	12.90	6,589	6,592	443
1972	13.30	7,906	7,904	522
1973	12.80	10,727	10,730	695
1974	1.20	14,458	14,463	920
1975	4.90	15,429	15,517	964
1976	13.90	18,429	18,624	1,132
1977	1.02	21,681	21,816	1,301
1978	13.60	26,773	26,836	1,577
1979	8.20	33,229	33,218	1,920
1980	7.30	41,360	41,418	2,344
1981	6.20	47,955	48,218	2,669
1982	3.60	48,550	48,586	2,653
1983	8.40	52,503	52,421	2,823
1984	10.60	59,780	59,139	3,167
1985	5.00	63,097	62,062	3,297
1986	11.60	77,299	75,434	3,993
1987	12.70	103,641	101,570	5,298
1988	7.80	126,233	123,146	6,379
1989	8.20	152,565	149,141	7,626
1990	5.40	164,076	160,173	8,111
1991	7.60	183,736	179,370	8,982
1992	6.80	216,254	212,150	10,470
1993	6.30	226,243	222,604	10,852
1994	6.50	243,934	240,986	11,597
1995	6.00	262,978	260,175	12,396
1996	5.70	275,144	273,050	12,872

Source: CEPD 1997, 1.

declined correspondingly, however. Strategic sectors, such as petroleum, electricity, gas, water, steel, railways, shipbuilding, post and telecommunications, tobacco and spirits, and banking and finance, were still monopolized by the state.

In addition to the direct control of state enterprises, the KMT owned wholly or partly around 50 companies, mostly through two powerful and

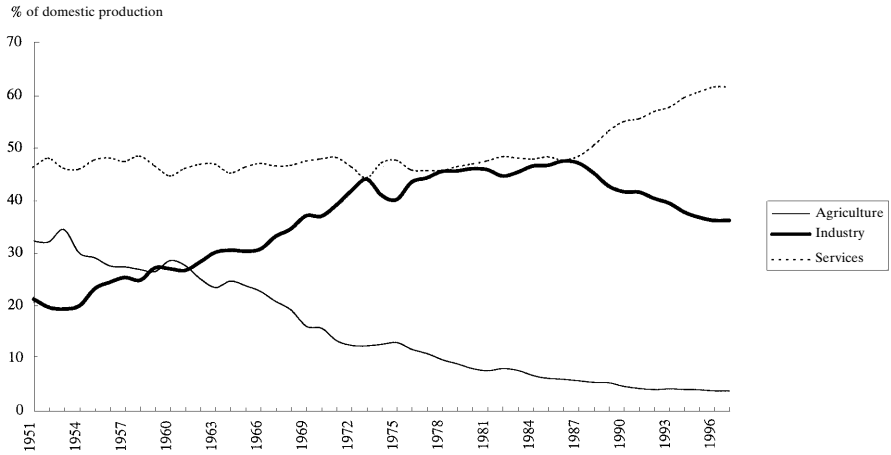

Figure 5.1 **The changing pattern of Taiwan's economic structure, 1951–1996** (Sources: Soong Kuang-yu 1993; CEPD 1996, 2)

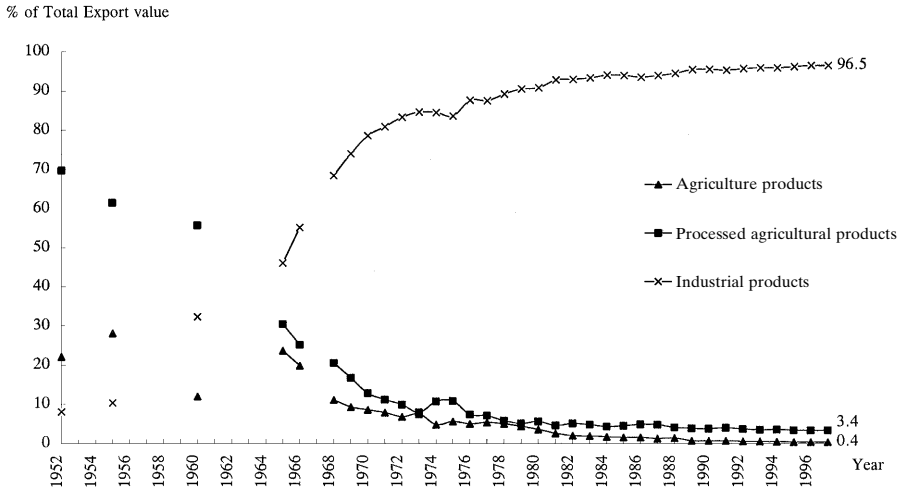

Figure 5.2 **Composition of Taiwan's exports, 1952–1996** (Source: CEPD 1997, 192; data for 1953–54, 1956–59, and 1961–64 are not available)

privileged party-owned investment firms. These companies were active in communications, petrochemicals, steel, electronics, and finance and securities. This bestowed on the KMT a strong hand to intervene in economic activities.

Another important business category is big private enterprises. In 1988, Taiwan's top 100 ''business groups,'' conglomerates composed of indi-

Table 5.2 **Numbers of medium and small enterprises in Taiwan and their percentage of all enterprises, 1982–1994**

	All enterprises	Medium and small enterprises	Per cent
1982	711,326	701,839	98.67
1983	706,526	696,438	98.57
1984	731,610	719,440	98.37
1985	727,230	716,224	98.49
1986	751,273	737,350	98.15
1987	761,553	743,274	97.60
1988	791,592	773,511	97.72
1989	798,865	778,042	97.39
1990	818,061	794,834	97.16
1991	850,679	825,556	97.05
1992	900,801	871,726	96.77
1993	934,588	901,768	96.49
1994	969,094	932,852	96.26

Source: MSEA 1995, 356–57.

vidual 700 to 800 firms, accounted for 34 per cent of the total GNP, yet they employed only 4.6 per cent of the labour force (Hsiao 1995, 83). These groups have heavily concentrated their investments and business operations in capital- and technology-intensive industries.

A special feature characterizing Taiwan's production structure is the large number of small and medium enterprises, namely those with turnover under US$1.5 million and total assets below US$4.8 million. In 1961, there were 178,916 such enterprises, or 99.6 per cent of all registered enterprises (Hsiao 1995, 83–84). In 1986, 98.2 per cent of 751,273 registered enterprises fell in this category. They contributed 66.4 per cent of the total value of exports (MSEA 1995, 356, 396; see also table 5.2).

The small and medium enterprises display several salient characteristics. First, most of them, or around 60 per cent of the total, are in the commercial sector (see table 5.3). Second, in sharp contrast to big enterprises, the small and medium enterprises are export-oriented and rely on the former for raw materials. There exists a dichotomous or dual structure in Taiwan's production system, with the big enterprises producing goods for internal needs and the small and medium enterprises producing goods for export. Third, most of these enterprises have less than 50 employees. According to surveys from 1966 to 1986, 80 per cent of all manufacturing units in Taiwan employed fewer than 20 persons, and 70 per cent fewer than 10 (Hsiao 1995, 83). Fourth, most of these enterprises, or nearly 60 per cent of the total, operate with independent capital: that is, most managers are also owners (GIO 1996, 835). Fifth, most enterprises are family-centered: family ties are the base for employment and financial

Table 5.3 **Medium and small enterprises in Taiwan, by economic sector, 1982–1994**
(per cent)

	Agriculture, fishing, mining	Manufacturing	Housing, building, and constructing	Commercial	Transportation and communication	Social and private services	Other
1982	2.11	17.32	2.64	61.79	4.08	12.05	0.01
1983	2.49	17.35	2.69	61.53	4.30	11.63	0.01
1984	3.13	16.82	2.57	61.49	4.89	11.10	0.01
1985	0.74	16.63	2.61	62.21	5.51	12.30	0.01
1986	0.75	17.59	2.96	60.89	6.00	11.79	0.01
1987	0.59	19.52	2.97	59.51	6.01	11.39	0.02
1988	0.58	19.76	2.97	58.87	6.19	11.62	0.02
1989	0.59	20.03	3.10	59.30	4.77	12.19	0.02
1990	0.57	19.53	3.33	59.77	4.51	12.27	0.02
1991	0.55	18.66	3.83	60.20	4.24	12.49	0.03
1992	0.53	17.90	4.38	59.96	3.83	13.38	0.03
1993	0.51	17.16	5.33	59.57	3.53	13.86	0.04
1994	0.91	16.45	6.06	58.76	3.45	14.33	0.04

Source: MSEA 1995, 356–57.

Table 5.4 **Distribution of personal income in Taiwan, by household, 1964–1995** (per cent)

	Lowest fifth	Second fifth	Third fifth	Fourth fifth	Highest fifth	Ratio of highest fifth's income to lowest fifth's
1964	7.7	12.6	16.6	22.0	41.1	5.3
1966	7.9	12.4	16.2	22.0	41.5	5.3
1968	7.8	12.2	16.3	22.3	41.4	5.3
1970	8.4	13.3	17.1	22.5	38.7	4.6
1972	8.6	13.2	17.1	22.5	38.6	4.5
1974	8.8	13.5	17.0	22.1	38.6	4.4
1976	8.9	13.6	17.5	22.7	37.3	4.2
1978	8.9	13.7	17.5	22.7	37.2	4.2
1979	8.6	13.7	17.5	22.7	37.5	4.4
1981	8.8	13.8	17.6	22.8	37.0	4.2
1982	8.7	13.8	17.6	22.7	37.3	4.3
1983	8.6	13.6	17.5	22.7	37.6	4.4
1984	8.5	13.7	17.6	22.8	37.4	4.4
1985	8.4	13.6	17.5	22.9	37.6	4.5
1986	8.3	13.5	17.4	22.7	38.2	4.6
1987	8.1	13.5	17.5	22.8	38.0	4.7
1988	7.9	13.4	17.6	22.9	38.3	4.9
1989	7.7	13.5	17.7	23.1	38.0	4.9
1990	7.5	13.2	17.5	23.2	38.6	5.2
1991	7.8	13.3	17.4	23.0	38.6	5.0
1992	7.4	13.2	17.5	23.2	38.7	5.2
1993	7.1	13.1	17.7	23.4	38.7	5.4
1994	7.3	13.0	17.4	23.2	39.2	5.4
1995	7.3	13.0	17.4	23.4	39.0	5.3

Source: Kuo et al., 1981, 34–35; CEPD 1997, 61–62.

support. And finally, compared to big businesses, the small and medium enterprises are less protected and supported by the government.

One other most cherished achievement is that Taiwan has been able to maintain relatively equal income distribution in the course of rapid economic growth. Simon Kuznets and many other economists suggested in the 1950s and 1960s that as income increases from low levels in a developing society, its distribution must first worsen before it can improve (Kuo et al. 1981, 1). Taiwan's experience in this regard is the opposite. As table 5.4 indicates, the disparity of income distribution decreased in the 1950s and remained fairly stable for three decades. In addition to land reform, the existence of a large number of small firms with significant capital decentralization has been one of the major structural reasons underlying Taiwan's relatively equal income distribution (Hsiao 1992d, 21).

What was the nature of the KMT regime during this period? What kind of role did it play in socio-economic development? And, specifically, what strategies and policies did it adopt for such development?

The KMT had been a Leninist political party with an anti-Communist ideology. Immediately after moving to Taiwan, Chiang Kai-shek put into effect a party reform program to create a party-state. Almost all institutions, such as the government, the military, the judicial departments, and the schools, and social forces, such as workers, farmers, intellectuals, women, and youth, were penetrated and controlled by the Party (Kung 1995). The Party's ideology became the national ideology, and candidates in all official examinations were required to be tested in it. As all these practices were unconstitutional, the KMT suspended the Constitution in 1948 by the Temporary Provisions Effective during the Period of Communist Rebellion, a supplement to the constitution promulgated in the same year, and a declaration of martial law in 1950. Before martial law was lifted in 1987, Taiwan was in fact an authoritarian party-state, in which civil rights were suppressed and no political opposition was allowed (Cheng 1992; Cheng 1989).

Nevertheless, unlike other Leninist party-states, the KMT regime was not totalitarian. It did not try to control socio-economic activities in their entirety, despite its unquestionable dominance in this domain. In this regard, the KMT's ideology should be taken into account, especially the Principle of Social Welfare. This principle is basically a developmental and capitalist doctrine, although it does contain strong socialist elements, such as land reform and state control of certain enterprises. In general, however, the adoption of a free economic system that paid due respect to private ownership and market mechanisms set the keynote for Taiwan's later economic development.

The lessons that the KMT learned from the defeat on the Chinese mainland also partly account for certain important policies it pursued in the 1950s, such as land reform and control of inflation and prices. Failure to implement land reform on the mainland was considered by the KMT to be a vital factor in the success of the Communists' peasant revolution. Furthermore, the galloping inflation in the late 1940s made the KMT extremely sensitive to the problem of price controls.

We now turn to the strategies implemented by the KMT government in the course of Taiwan's industrialization. Generally, Taiwan's industrialization policy can be divided into four phases: (1) the import substitution phase of the 1950s; (2) the export-oriented industrialization phase of the 1960s; (3) the second phase of import substitution during the 1970s; and (4) the liberalization and globalization phase since the early 1980s.

Import substitution industrialization (ISI) in the 1950s

Like many newly independent states after World War II, Taiwan inherited a colonial economy and a war-battered society, and faced the problems of food shortage, population pressure, inflation, budget deficits, and shortage of foreign reserves. One of the KMT's most important policies to cope with these difficulties was land reform, carried out from 1949 to 1953. As mentioned earlier, the loss of the mainland prompted the KMT to implement this policy in Taiwan. Nevertheless, the KMT elite's lack of vested interests in Taiwan's land and ties with landlords was a decisive factor contributing to the success of this reform.

No less important were the measures taken to stabilize prices. During the period of the Civil War (1946–49), prices rose initially at an annual rate of about 500 per cent, which then soared to about 3,000 per cent in the first half of 1949. In June 1949, monetary reform and other stabilization policies, such as preferential interest savings deposits, were implemented. By the end of 1951, inflation was effectively controlled. Between 1952 and 1960, the annual increase in prices was brought down to 8.8 per cent (Kuo et al. 1981, 64–66).

As landlords were compelled to sell their excess land, they were compensated to the extent of 70 per cent of the land price in land bonds and 30 per cent in stock of four state-owned enterprises. By this measure, not only was inflation prevented, but also the landlords were forced to shift their capital into industry, thereby becoming the first generation of indigenous capitalists (Hsiao 1995, 78). With encouragement and support from the government as it pursued its ISI strategy, a dynamic export manufacturing sector thus emerged and would soon outweigh the textile and food processing sectors that dominated Taiwan's industry in the 1950s. The primary goals of ISI were to meet domestic economic needs and to build local industrial capabilities. In addition to the emerging Taiwanese landlords turned capitalists, the state-owned enterprises, the mainlander-owned industries, and the local entrepreneurs who quickly responded to the state's industrial initiatives were the main beneficiaries of ISI.

Finally, U.S. aid also played an important role in economic development at this stage. Before 1961, almost no private foreign capital flowed into Taiwan. Nearly half of the investment was financed by the United States (Kuo et al. 1981, 29). The total amount of U.S. aid from 1951 to 1968 was US$1.547 billion (CEPD 1997, 225).

Export-oriented industrialization (EOI) in the 1960s

Partly pushed forward by domestic market constraints and external U.S. pressure (resulting from recession and a worsening balance of payments

in the U.S. economy) and partly induced by the expanding world market, Taiwan's government made a strategic shift from ISI to EOI. The primary objective of EOI was to promote exports by developing labor-intensive industries. In retrospect, export expansion was indeed a decisive factor for the take-off of the Taiwan economy. In terms of percentage of GDP, industrial sectors started to outweigh agricultural sectors in 1963 (see figure 5.1).

Economic policies favoring export expansion were devised in the late 1950s and implemented in the early 1960s. In the Third Four-Year Plan, an optimistic growth target of 8 per cent was set for the period 1961–64. To achieve this goal, various measures were taken to reform the structure of industry. Most significant of all was the Nineteen-Point Financial Reform. Included in the reform package were devaluing of the currency to make exports more competitive, relaxing control over foreign trade, allowing the entry of foreign direct investment to set up export manufacturing enterprises, and initiating a single exchange rate along with eliminating import restrictions. Pursuant to these reform measures, the Statute for Encouragement of Investment was enacted to offer greater tax reductions to stimulate private investment and exports. A typical case was the establishment of the Kaohsiung Export Processing Zone within which no duties were imposed on imports (Hsiao 1995, 78–79; Kuo et al. 1981, 73–77).

In terms of structural change, the EOI strategy dramatically expanded the small and medium businesses and created a ''dichotomous'' or ''dual market structure.'' That is, most rising small and medium businesses were export-oriented, while the domestic market was dominated by big business groups and state-owned enterprises. This dualization process can be traced to the ISI stage. Under the government's protectionist policy and political maneuvers, the domestic market had been monopolized or oligopolized by the big private and state-owned enterprises by the end of 1950s. The newly emerging small and medium businesses could only turn to the expanding world market. On the other hand, they were pulled in this direction, especially to the United States, by the demand for labor-intensive and low-tech products, such as textiles, garments, and shoes, from the industrialized market.

The second phase of ISI in the 1970s

In the early 1970s, faced with the loss of its seat in the United Nations, the devaluation of the U.S. dollar, and the oil crisis, Taiwan experienced a serious setback in economic performance. The diplomatic setback led to a legitimacy crisis for the KMT regime, and the drop in business confidence and the outflow of capital brought about a temporary halt to ex-

port dynamism. Prices, which had been relatively stable for two decades, abruptly rose by 22.9 per cent in 1973 and 40.6 per cent in 1974 (CEPD 1997, 1). To deal with these difficulties, some stabilization measures, such as a high interest rate policy, a one-shot adjustment of oil prices, and tax reduction, were implemented. More importantly, the government pursued a second phase of ISI strategy to restructure the economy by developing energy-intensive and capital-intensive industries and staging large-scale infrastructure projects, known as the ''Great Ten Constructions.''

In the course of this phase, state enterprises increased their significance as leaders of domestic investment. Big private businesses also received a great boost from the state and formed ''business groups,'' the Taiwanese version of conglomerates. Small and medium businesses, on the other hand, also survived the world energy crisis and recession and were re-energized for further growth and development from the late 1970s.

Liberalization and globalization in the 1980s

Under pressure from major foreign trade partners, especially the United States, to improve the trade balance, liberalization was accelerated in the 1980s. The nominal rate of protection decreased significantly in this period, and the average tariff rate was dramatically brought down. Financial deregulation was another point of emphasis in government policy. After a decade of preparation, the Banking Law was amended in 1989. All controls on both deposit and lending interest rates were removed, and foreign bank branches were permitted to accept long-term saving deposits. The establishment of new private banks was also allowed. Furthermore, a significant step in the liberalization of capital movements was taken in 1987. Foreign exchange controls were largely relaxed to allow direct transfers of capital by the non-bank private sector.

All these efforts were supported by the Statute for Upgrading Industries of December 1990 (Howe 1996, 1184–85). After a decade of trial and error, the success of these efforts was demonstrated by the high competitiveness of Taiwan's information technology industry, which yielded a total production value of US$21.3 billion, and made Taiwan the world's third largest computer hardware supplier in 1995 (GIO 1997, 162).

Based on the above analysis, we may conclude that the state played a pivotal role in Taiwan's socio-economic development during the period of the KMT's authoritarian rule. The KMT regime was clearly a ''strong state,'' dominated by a Leninist-style political party with a basically capitalist ideology. The state was predominant and interventionist in the socio-economic arena, and yet it was development-oriented and non-market-suppressive; moreover, it adopted effective strategies and policies

to promote socio-economic development. In spite of the KMT's prolonged authoritarian rule, therefore, Taiwan's society and economy throve. The KMT's role should not be overstated, however. By recognizing it, we do not mean to suggest that authoritarian rule is a necessary condition for socio-economic development. Obviously, Taiwan's regime was an exception among the numerous authoritarian regimes that failed to promote development. Furthermore, the argument for the necessity of authoritarian rule is also disproved by the fact that Taiwan's more recent socio-economic development is associated with democratization.

Democratization and the changing political economy

Overall democratization trends

The lifting of martial law in July 1987 was a landmark of democratization for Taiwan. Civil rights such as the freedom of speech and publication and the freedom of assembly and association, which had been suspended for 38 years, were restored. With the rise of party politics and a series of constitutional reforms, the authoritarian political system of Taiwan was transformed into a democracy.

Between the lifting of martial law in July 1987 and the death of Chiang Ching-kuo in January 1988, Taiwan's politics experienced a democratic opening. With the National Security Law and the Civic Organization Law, enacted in 1987 and 1989 respectively, however, the KMT did manage to limit the scope of liberalization. The democratic transition since the late 1980s has featured several important events, including Lee Teng-hui's election as KMT chairman in July 1988; his reelection to the presidency in March 1990; the Council of Grand Justice's ruling in June 1990 ending the tenure of long-term parliamentarians as of December 1991 and the resulting elections to the three reorganized representative bodies in 1991 and 1992; and the first opposition victories ever in the December 1994 elections for the mayors of Taipei and Kaohsiung and the governor of Taiwan Province. During this period, several significant democratic institutional reforms were launched. In particular, the anti-democratic Temporary Provisions were finally repealed, the ''Period of National Mobilization for Suppression of the Communist Rebellion'' was ended in May 1990, and a constitutional amendment was approved in May 1992. All of these marked a break from undemocratic extraconstitutional political structures and a restoration of constitutional rights for the nation. Though the constitutional amendment was far from being either complete or satisfactory, with revisions restricted primarily to procedural rather than substantive issues, the state was slowly taking steps

toward democratic reinstitutionalization in order to address continuing pressures from the oppositions.

Students, university professors, liberal journalists, and legal professionals had all joined together in the pro-democracy movement, and these alliances reinforced their demands for constitutional reform, freedom of speech, structural changes in the parliamentary body, a clear definition of the power of the executive, a guarantee of civilian democratic government without military interference, and support for the development of party politics. In other words, under the leadership of intellectuals and professionals from the new middle class, Taiwan's civil society has indeed taken the establishment of democracy as its primary goal for the 1990s. The direct elections for the two mayoral positions and the provincial governorship signified a major step toward completing the transition to procedural democracy. Political elites and the three major political parties then all engaged in intensive political negotiations over the Presidential Election and Recall Bill in the Legislative Yuan. On 20 July 1995, the important 107-clause bill was finally approved; it officially declared that a presidential election would be held on 23 March 1996.

The March 1996 presidential election was seen by many in the middle class not only as an opportunity to exercise their right as citizens to elect their own president for the first time in Taiwan's history, but also as a significant break with the past. Many of them believed that as long as the 1996 presidential election was carried out in a peaceful and democratic manner, regardless of its outcome, Taiwan was bound to begin a phase of democratic consolidation. Despite China's threatening missile tests in the midst of the electoral campaign, the Taiwanese people courageously participated in their first direct, democratic presidential election.

Constitutional structure and electoral system

As mentioned earlier, the 1947 Constitution had not been fully implemented before 1987, due to the restrictions of the Temporary Provisions and martial law. After these obstacles were removed, the Constitution was revamped to create a workable democratic order. Three rounds of constitutional amendments took place in 1991, 1994, and 1997 respectively. The amendments of the first round were designed to reflect the fact that Taiwan and the Chinese mainland are governed by two separate political entities. They also provided the legal basis for the election of the completely new National Assembly and Legislative Yuan. The amendments of the second round laid the groundwork for the popular election of the president and the vice-president of the Republic and transformed the Control Yuan (an oversight body) from a parliamentary body to a quasi-judicial organ.

Lastly, the amendments of the third round restructured the relationships among the president, the Executive Yuan, and the Legislative Yuan. The Legislative Yuan has the power to pass a no-confidence vote against the premier (i.e., the president of the Executive Yuan), while the president of the Republic has the power to dissolve the Legislative Yuan. On the other hand, the premier is to be directly appointed by the president of the Republic, and the consent of the Legislative Yuan is no longer needed. Furthermore, under this latest revision, the Control Yuan is deprived of its power to impeach the president of the Republic, and the provincial government is to be streamlined and the popular elections of the governor and members of the provincial council are suspended. Despite some remaining flaws, the revised Constitution has provided a commonly acceptable ground for constructing a democratic order. The restructuring process has been peaceful and has taken place at low social cost.

Perfecting the electoral system is another important dimension of the democratic transition in Taiwan. In fact, the democratization process is in part driven by the local elections that have been continuously and regularly held since the early 1950s. Local elections provided a democratic seed and brought the ethnic Taiwanese into the political system. In the 1970s, direct elections were partly extended to the national level, i.e., the supplementary elections for the National Assembly and the Legislative Yuan. The electoral space was completely opened up during the 1990s by the legislative election of 1992, the gubernatorial election of 1994, and the presidential election of 1996. The laws pertaining to election and recall had been overhauled several times in the late 1980s. The campaign rules were significantly relaxed and the mass media became totally free. Although the elections have still been heavily polluted by bribery, fairness has no longer been a major problem.

Founded in 1980, the Central Election Commission is responsible for holding and supervising national and local elections. To guarantee its impartiality, a law rules that commissioners from any single political party shall not constitute more than two-fifths of the whole commission. For the election of members of both the national and local representative bodies, a peculiar electoral system, dubbed the single non-transferable vote (SNTV), is employed. Normally, several representatives are elected from a single constituency which is demarcated essentially by existing administrative boundaries. In a given constituency, each voter casts only one vote, and the several leading candidates get elected. As some scholars have pointed out, this system creates intraparty competition and reduces the utility of party labels (Tien and Cheng 1997, 14). Since the National Assembly election of 1991 and the Legislative Yuan election of 1992, a number of seats have been reserved for a national constituency and the

overseas Chinese communities. These seats are allocated by proportional representation (PR). In general, both the SNTV and the PR systems benefit the smaller parties, for as long as they win a certain number of votes, they are able to secure at least a few seats. But in elections for administrative offices, the situation is quite different. Normally, only the two largest parties emerge victorious in these single-seat contests, and third parties are very much at a disadvantage (GIO 1998, 108–9).

Emerging confrontational party politics

As of August 1997, 84 political parties have officially registered with the Ministry of the Interior (GIO 1998, 109). Among them, only four, the KMT, the Democratic Progressive Party (DPP), the New Party (NP) and the Taiwan Independence Party (TAIP) are politically active and electorally influential, however. Generally speaking, the KMT is still dominant in this newly emerging party system. It has been able to win over 50 per cent of the electoral vote in various national and local elections. The DPP has been the largest opposition party ever since its official establishment in September 1986 when martial law was still in effect. It normally gains around 35 per cent of the total votes in elections. The NP, a splinter group of the KMT, became the third largest political party in 1993. It has received around 10 per cent of the electoral votes in recent elections (see tables 5.5, 5.6, and 5.7). The TAIP, a splinter group of the DPP, came onto the political scene in December 1996. It has not yet been tested in large and significant elections.

The major difference characterizing these parties is political, although ethnic cleavage and public policies are also involved. ''To be or not to be independent'' has long been the most controversial political issue in Taiwan politics, in the face of the unification pressure from China ever since the late 1970s. This issue was forbidden to be discussed during the authoritarian period, but as democratization started, it soon became the single most important basis for party formation, realignment, and conflict. In the 1980s, it was hotly contested between the KMT and the DPP. In the early 1990s, it triggered severe intraparty conflicts within the KMT and finally led to a minor split and the establishment of the NP. On the other hand, in December 1996, dissatisfied with a softening of the DPP's stance of pursuing Taiwan independence, a group of DPP members decided to organize its own party, the TAIP. On the independence-unification political spectrum, the NP is at the far right, followed by the KMT and the DPP, with the TAIP at the far left. This means that there is a trend of convergence between the ruling KMT and the largest opposition party, the DPP. While the KMT is claiming to look for ''conditional'' unification with China in the far future and the DPP is claiming to search

Table 5.5 **Distribution of the popular vote and seats in Taiwan elections, 1991–1996**

	KMT	DPP	New Party	Independent
1991 National Assembly Election				
Popular vote (per cent)	71.17	23.94	n.a.	4.89
Seats	254	66	n.a.	5
Seats (per cent)	78.2	20.3	n.a.	1.5
1992 Legislative Yuan Election				
Popular vote (per cent)	52.51	30.79	n.a.	16.70[1]
Seats	101	51	n.a.	9
Seats (per cent)	62.7	31.7	n.a.	5.6
1995 Legislative Yuan Election				
Popular vote (per cent)	46.06	33.17	12.95	7.82
Seats	85[2]	54	21	4
Seats (per cent)	51.8	32.9	12.8	2.4
1996 National Assembly Election				
Popular vote (per cent)	49.68	29.85	13.67	6.80
Seats	183	99	46	6
Seats (per cent)	54.8	29.6	13.8	1.8

Source: Tien and Chu 1996, 1158.

[1] Includes votes for a large number of KMT candidates who entered the race without party endorsement, and candidates from small parties such as the Socialist Democrats.

[2] Two months later, the KMT expelled one member for his defection in the election for speaker.

Table 5.6 **Distribution of the popular vote in the 1994 Taiwan elections** (per cent)

	KMT	DPP	New Party	Independent
Executive offices				
Taiwan area aggregate	52.05	39.42	7.70	0.83
Governor of Taiwan	56.22	38.72	4.31	0.75
Mayor of Taipei	25.89	43.67	30.17	0.28
Mayor of Kaohsiung	54.46	39.29	3.45	2.80
Representative offices				
Taiwan area aggregate	49.16	31.71	6.09	13.04
Provincial assembly	51.03	32.54	3.74	12.69
Taipei city council	39.48	30.41	20.83	9.28
Kaohsiung city council	46.28	24.85	4.82	24.06

Source: Tien and Chu 1996, 1161.

Table 5.7 **Distribution of the popular vote in the 1996 Taiwan presidential election**
(per cent)

	KMT Lee-Lien	DPP Peng-Hsieh	New Party Lin-Hau[1]	Independent Cheng-Wang
Overall	54.00	21.13	14.90	9.98
Taipei City	38.90	24.34	24.87	11.89
Taiwan Province	56.76	20.13	13.42	9.68
Kaohsiung City	50.62	27.32	12.77	9.29
Kinmen-Matsu	41.31	1.59	30.64	26.45

Source: Tien and Chu 1996, 1162.
[1] Lin-Hau was not the New Party's own ticket, but an independent ticket that it endorsed.

for ''conditional'' independence soon, both parties share the same positions in maintaining the status quo and actively promoting Taiwan's international status.

In terms of ethnic composition, most DPP and TAIP key members and their core supporters are Taiwanese (that is, those who emigrated to Taiwan from the southeast coast of the Chinese mainland before 1949). In sharp contrast, most NP members are mainlanders (that is, those who came to Taiwan after the Civil War) and their descendants. The KMT claims to have two million members, about 80 per cent of them Taiwanese, while the mainlanders account for less than 20 per cent. This means that the émigré KMT has been indigenized in terms of the composition of its social base.

Indigenization or Taiwanization of the KMT was initiated by President Chiang Ching-kuo and completed by President Lee Teng-hui. As Chiang became a powerful political figure in the 1970s, he began to recruit Taiwanese technocrats and local politicians to some important positions in the party and the government. Nevertheless, by January 1988 when Chiang died, political power in the KMT and the state remained predominantly in the hands of mainlanders. The completion of the KMT's Taiwanization came several years after President Lee's succession. Since Lee is a native Taiwanese and did not have a tangible power base of his own, he was challenged on all sides by powerful old guard mainlanders in the government, the party, and the military. After a series of power struggles within the party, Lee successfully forced some of his obstinate opponents out of power, and marginalized some of those who refused to leave. Through this process, the KMT was also transformed from an au-

thoritarian party with a revolutionary heritage to a more or less democratic party with a strong indigenous character. Among other factors, such as the legitimacy that the KMT gained from its previous performance in socio-economic development, indigenization is decisive in contributing to the survival of the KMT regime even under the strong pressure of democratization in Taiwan.

As noted earlier, the KMT and the DPP have been moving toward convergence in recent years. The KMT's indigenization has also contributed substantially to this. It helped to reduce the antagonism between the two parties and to foster a healthier environment for party politics. To consolidate his power under the KMT and to pursue further democratic reinstitutionalization, President Lee took many effective measures to gain the support of DPP political figures. Political dissidents were released from jails, and exiles were allowed to come home. The stringent Article 100 of the Criminal Code on treason and sedition was abolished so that people would no longer be fearful about advocating Taiwan independence. The deep resentment caused by the February 28 Incident was also alleviated through both symbolic and material means. More importantly, President Lee has adopted many important policies that were first advocated by the DPP, notably the separation of the military from the KMT, the effort to rejoin the United Nations, the direct popular election of the president by the people, and ''welfare state'' programmes such as universal health insurance, subsidized housing, and state-financed welfare provisions for the elderly.

This cultivated a widespread pro-Lee sentiment among the DPP members known as the ''Lee Teng-hui Complex,'' which DPP leaders find it hard to deal with. On the other hand, the strong anti-Lee sentiments of the NP supporters were subsiding, especially after China launched several rounds of military exercises to protest Lee's unofficial visit to the United States and to dissuade Taiwan's people from voting for Lee in the first direct presidential election in March 1996. Facing the same difficulties in losing political leverage, somewhat ironically, the two ideologically antagonistic parties searched for reconciliation and alliance in mid-1996. Their common appeal was the assault on the KMT's practice of vote-buying and its connection with organized crime, legacies of clientelism in KMT-affiliated local political factions. Nevertheless, the fragile coalition soon broke apart.

All this does not mean that the current system of one-party dominance will last. It only means that the KMT's indigenization has exerted a profound impact on both the KMT itself and party politics in Taiwan. In the process, the KMT has also shown greater flexibility and adaptability than before, another important factor contributing to its continuing dominance.

Rising economic governance issues under democratization

The Taiwan-China economic nexus and its political ramifications

In the years following the lifting of martial law, Taiwan's investment environment deteriorated rapidly. As the KMT government no longer enjoyed arbitrary power, there appeared strong and militant environmental, labor, and consumer movements, which had long been suppressed under authoritarian rule. Social crimes and speculation in money and land were rampant, while entrepreneurs were in dire need of labor and land. Many small and medium businesses were thus forced to shift their investment abroad, especially to Southeast Asian countries. As table 5.8 shows, external investment in these countries grew rapidly and reached a peak in 1991.

This wave of investment was then surpassed by investment in China. In 1987, President Chiang Ching-kuo decided to allow mainlanders who had returned to the mainland to visit their relatives in Taiwan. This opened a new page in the interaction between the two sides of the Taiwan Straits after 48 years of separation. Mutual trade and investment through Hong Kong have increased dramatically since then. According to an official estimate, mutual trade increased over tenfold from 1987 to 1994, or from US$1.5 billion to US$17.9 billion (GIO 1996, 1409–10). China has become the second largest trade partner of Taiwan behind the United States. A worry thus looms large for Taiwan: trade dependence on China is sharply rising. Approximately 10.5 per cent of Taiwan's 1995 trade was with China, 4.4 per cent more than in the previous year. Export dependency stood at 17.4 per cent and import dependency at 3 per cent (GIO 1997, 159).

Private Taiwanese investment in China also surged. According to Taiwan's official statistics, investment in China from 1991 to 1996 totalled US$6.87 billion (see table 5.8). The actual figure was much higher, because many businessmen did not comply with the requirement of the government to register and thereby to get permission for their investments. This is reflected in China's official estimate, according to which total investment from Taiwan had reached over US$27 billion by 1995 (GIO 1996, 1410).

As figure 5.3 shows, the first peak of Taiwanese investment in China came in 1993; during that year the amount reached US$3.17 billion, or 65.6 per cent of total external investment in the same year, according to Taiwan's official record. (The Chinese official figure for the corresponding year was US$9.97 billion.) Alarmed by the increasing dependency of Taiwan's economy on China, the KMT government formulated a so-called ''Southward Investment Policy'' in late 1993 to promote invest-

Table 5.8 **Taiwan's outward investment in the PRC and the Southeast Asian countries, 1987–1996**

	Total outward investment	Investment in the Southeast Asian countries	Per cent of total	Investment in the PRC[1]	Per cent of total	Individual countries					
						Singapore	Philippines	Indonesia	Thailand	Malaysia	Vietnam[2]
1987	102,751	28,874	28.10			14,087	2,640	950	5,366	5,831	
1988	218,736	69,300	31.68			16,571	36,212	1,923	11,886	2,708	
1989	930,986	347,926	37.37			71,053	66,312	311	51,604	158,646	
1990	1,552,206	592,740	38.19			72,980	123,607	61,871	149,397	184,885	
1991	1,830,188	781,047	42.68	174,158	9.52	73,811	1,315	160,341	86,430	442,011	17,139
1992	1,134,251	487,952	43.02	246,992	21.78	187,616	1,219	39,930	83,293	155,727	20,167
1993	4,829,346	427,173	8.85	3,168,411	65.61	63,003	6,536	25,531	109,165	64,542	158,396
1994	2,578,973	471,671	18.29	962,209	37.31	174,672	9,600	20,571	57,323	101,127	108,378
1995	2,449,591	369,473	15.08	1,092,713	44.61	75,024	35,724	32,067	51,210	67,302	108,146
1996	3,394,645	593,251	17.48	1,229,241	36.21	170,961	74,252	82,612	71,413	93,534	100,479

Source: IC-MOEA 1997, 2–3, 41–42.

[1] Data on investment in the PRC before 1991 are not available.

[2] Data on investment in Vietnam before 1991 are not available.

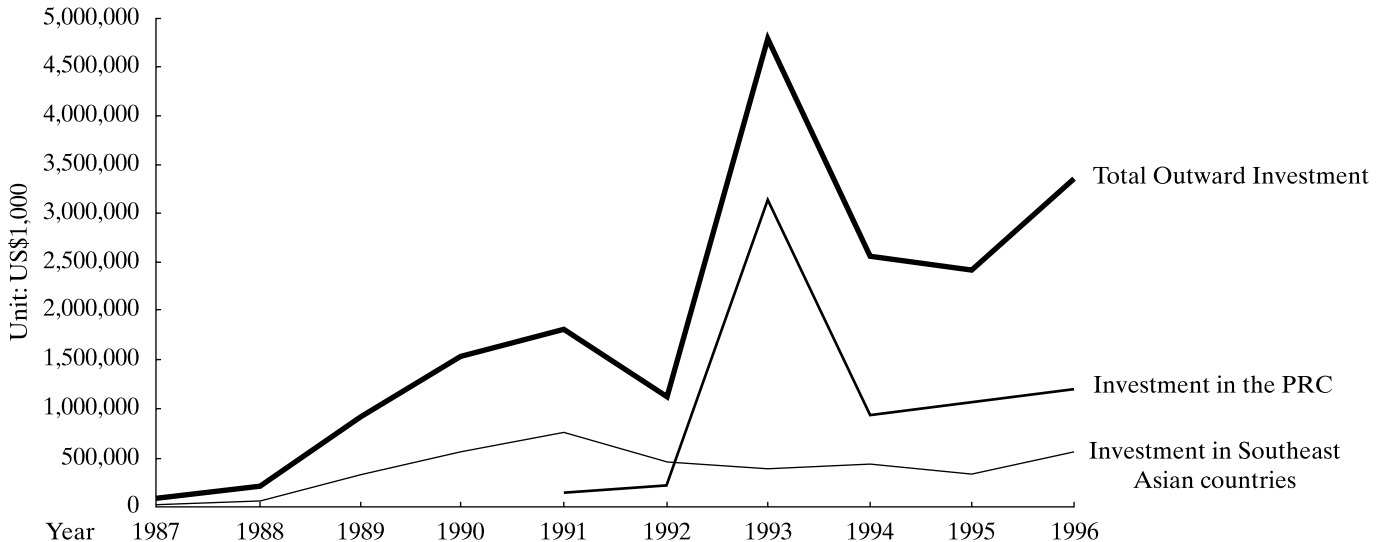

Figure 5.3 **Patterns of Taiwan's outward investment, 1987–1990** (Sources: See table 5.8. "Southeast Asian countries" are Singapore, the Philippines, Indonesia, Thailand, Malaysia, and Vietnam; data for Vietnam 1987–90 and the PRC before 1991 are not available)

ment in Southeast Asian countries, which had been slackening since 1991, and to discourage the too rapid expansion of investment in China. To implement this policy, government officials from President Lee downward intensively visited Southeast Asian countries in early 1994. They were accompanied by a large group of top decision makers in state-owned and KMT-owned enterprises and by leading private businessmen.

The rationale underlying this policy is both economic and political. Its first objective is to make Taiwan an international communications and transportation node, or so-called the ''Asia-Pacific Regional Operations Center,'' taking the place of Hong Kong after its return to China in 1997. The second objective is to promote diplomatic relations with Southeast Asian countries through economic means. Third and most importantly, this policy is intended to divert investment from China, and thereby to reduce the political and economic risks of overdependence (Chen 1994; Ku 1994). Taiwan's anxiety over the unstable relations between the two sides of the Straits deepened after mid-1995, as China launched several rounds of military exercises near Taiwan in the autumn of 1995 and the spring of 1996. On this account, soon after his reelection President Lee publicly called for a slowdown in investment in China and successfully persuaded some of the leaders of large private business groups, notably Wang Yong-ching, president of the Formosa Plastics Corporation, to suspend their investment projects. In return for Wang's co-operation, in October 1997 President Lee bestowed on him a medal of honor and promised to improve the domestic investment environment and promote the efficiency of the bureaucracy. On the other hand, the government is tightening its control of investment in China by seriously implementing the Act on the Relations of People across the Taiwan Straits. Those who invest in China beyond the official maximum amount of money without registration are liable to serious punishment. In September 1997, over 8,500 applications were filed for retrospective registration, involving a total of over US$3.6 billion.

The policy of promoting investment in Southeast Asian countries and discouraging investment in China seems to be working to some extent, as figure 5.3 suggests. Nevertheless, its effectiveness remains uncertain. Challenges to this policy from the leaders of large business groups continue to grow. In addition to Wang Yong-ching, Chang Rong-fa, president of Evergreen Marine Corporation, also openly criticized this policy in October 1997. This suggests that the government no longer has the power over large private businesses that it enjoyed in the authoritarian era. And the issue of investment in China will continue to stir up debates concerning the priority of economic development and national security. It might also change the relations between large private business groups

and political parties. Generally speaking, the DPP supports the KMT's policy, while the NP has been critical. The position of the two parties on this issue is a reflection of their conflicting political platforms concerning the future of political relations between Taiwan and China.

A stable social base and politicized media

Relative social equality and impressive economic prosperity in Taiwan clearly provided a favorable environment for the healthy functioning of party politics. Based on a survey of ten countries, Stephan Haggard and Robert R. Kaufman (1997) have argued that democratic transitions are conditioned by the legacy of economic performance of authoritarian regimes. Democratization under conditions of economic crisis and social inequality tends to polarize society, fragment the party system, and induce the appearance of militant social movements and anti-market political parties. On the other hand, under favorable socio-economic conditions the incumbent party tends to be less vulnerable to splitting and to enjoy greater leverage in bargaining over the terms of democratic transitions, i.e., the formal constitutional rules and the informal understandings that govern political competition in the new democratic system. The case of Taiwan obviously falls in the latter category. Favorable socio-economic conditions made the ruling KMT more confident in taking reform measures on the one hand, and circumscribed the confrontational and mobilizational strategies that the opposition might employ on the other. The same favorable conditions account for the gradual waning of various civil protests and social movements that appeared in the beginning of democratization, and the relatively weak association between these movements and the opposition parties. The prolonged alliance of the anti-nuclear movement with the DPP is the exception rather than the rule.

In terms of general socio-economic development in the democratization period, Taiwan's economy continued to grow after 1987, although the growth rate was slower than in the previous two decades (see table 5.1). Also, the disparity of income distribution increased a little (See table 5.4). However, these changes are rather moderate and could have been the result of various factors. Thus, at the present, it is hard to clearly assess the KMT government's performance under democratization in comparison with the previous authoritarian period. With regard to economic policies, the KMT government has continued to pursue the directions of liberalization and globalization. Upgrading industry has remained a primary goal. In social welfare, as mentioned earlier, the KMT has absorbed some of the proposals of the opposition parties and social movements by

taking measures to care for the elderly and the disabled. Most significantly, the National Health Insurance program was officially implemented in March 1995.

It is also quite important to point out that the liberalized media sector under Taiwan's democratization process has been also becoming more and more "politicized," taking polarized positions on various controversial political issues that divide the parties. Moreover, the controversy over independence vs. unification vis-à-vis China among the political parties and the general public has further politicized the media: it is easy to classify Taiwan's major newspapers and TV stations as pro–Lee Teng-hui or anti–Lee Teng-hui, pro–Taiwan independence or pro–unification with China. This is not so much a result of the continuing ethnic cleavage or individual journalists' political orientation as a reflection of the realignments of political and economic interests among the media, political parties, and the state. The political cleavages within the media have been facilitated and reinforced by confrontational party politics and the growing political tension between Taiwan and China, two inevitable consequences of Taiwan's democracy-building process.

The controversy over the nuclear power policy

Conflicts over the issue of nuclear power between the new middle-class liberal intellectuals and concerned environmental groups on the one hand, and the Taiwan Power Company on the other, intensified after 1986. At first, the anti-nuclear voices mainly came from academic and social movement circles. But from 1988 onward, residents in the area of the proposed site of a fourth nuclear power plant on the northern coast of Taiwan began actively participating in the anti-nuclear movement. Since then, Taiwan's environmental movement against nuclear power has become a social movement in which intellectuals from the new middle class, civil society organizations, and local residents have joined forces. The main force behind the anti-nuclear movement has been the TEPU (Taiwan Environmental Protection Union) which since the mid-1980s has devoted almost all its organizational resources to combatting the proposed nuclear power plant. The TEPU was established by volunteers from among university professors and students. It also established a local chapter at the proposed site in order to sustain the mobilization of local residents. As the years have gone by, the anti-nuclear movement has turned into a nationwide No Nukes movement to take on the KMT state's energy development policy and the pro-growth ideology behind it.

The Taipei County Government, controlled by the opposition DPP, even organized a countywide referendum on the fourth nuclear power plant plan in 1995, but the result of the referendum was not validated due

to insufficient turnout. The Taipei city government, also controlled by the DPP, also held a referendum on the nuclear power issue in conjunction with the presidential election of 23 March 1996. The result revealed that 52 per cent of the Taipei voters cast ''No'' votes on the issue. Obviously, the anti-nuclear movement has developed a clear coalition with a major opposition political party. The DPP has even written the anti-nuclear position into its charter by opposing any further construction of nuclear power facilities on the island. The NP is also inclined to oppose the use of nuclear power for Taiwan's future energy needs. The most recently formed Green Party (GP), though insignificant in its political influence, has even adopted total rejection of nuclear power. Thus, the dispute over nuclear power has developed into a political conflict between the pro-nuclear KMT and the anti-nuclear DPP, NP, and GP. Recently, the anti-nuclear movement also adopted a more confrontational approach, of the kind commonly used by anti-pollution activists, in staging protests against the Taiwan Power Company and the state. The nature conservation movement has also allied itself with the anti-nuclear movement, as both are concerned with the protection of Taiwan's nature and ecology, and both have targeted the KMT state and its pro-growth and anti-environment ideology.

Taiwan's anti-nuclear movement, and a sharp cleavage among elites, with KMT and opposition politicians, technological bureaucrats and environmentally inclined academics on opposite sides, have successfully put obstacles in the way of the KMT state's nuclear energy policy. Due to the widespread opposition, proposals for the new power plant have been deferred three times, and the Legislative Yuan has even twice frozen the government budget for the plant. More importantly, considering the steady growth of domestic electricity consumption, which increased on average by 8.4 per cent a year from 1981 to 1994, the trend in the proportion of electricity generated from nuclear power plants fluctuated significantly from a 30 per cent increase in 1983–84 to a 7 per cent decline in 1987–88 and 1988–89. The percentage of electricity produced by nuclear energy actually dropped from 52 per cent in 1985 to 30 per cent in 1994. Thus, the rise of the anti-nuclear movement in the mid-1980s has postponed the expansion of nuclear power and served to lower Taiwan's dependence on nuclear energy.

Finally, the anti-nuclear movement, in alliance with the opposition parties, is still struggling to postpone, if not to stop altogether, the construction of the fourth nuclear power plant. The KMT still controls more than half of the seats in the Legislative Yuan and it won the votes in the legislative body to approve the first-year budget for the proposed plant in 1995. The opposition DPP and NP legislators have declared that they will continue the battle against the future nuclear power plant's annual fund-

ing. In other words, the field of the conflicts over future nuclear power generation has now moved from civil society to the political realm.

Conclusion

To summarize, after a decade of democratization, the authoritarian party-state has been transformed into a liberal multi-party system. Since the democratic transition took place under relatively favorable socio-economic conditions, the KMT has been able to remain in power, though the opposition parties have gained significant popular support. Party formation and realignment are based on political rather than socio-economic cleavages. National identity is the most important issue in the competition of political parties. Relations with China have been and will continue to be a critical factor in influencing confrontations in party politics and controversies over economic policies. In the path toward democratic consolidation, the government is going to play a less dominant role in the economy, and the ruling KMT no longer has the absolute power to control the economic sector that it did in the authoritarian era. Nevertheless, the government is still effective in governing and regulating economic activities, and the continuing consensus on the framework of the developmental state is reflected in the platforms of the different parties. On major economic policies (except for nuclear power) radical difference between the KMT and the DPP do not exist.

The impact of the financial crisis of 1997 on Taiwan has not been as serious as on other countries of East and Southeast Asia. The government's various financial policies and measures in response to the crisis have been rather cautious, and have not become a political issue with the opposition parties. The economic bureaucracy is considered to be strong and capable of dealing with the sudden external shock. However, it is inevitable that the government will face greater pressures and challenges from both opposition parties, politicians, capitalists, and various conflicting forces in civil society.

REFERENCES

CEPD (Council For Economic Planning and Development, Taiwan, Executive Yuan) (1996, 1997), *Taiwan Statistical Data Book*, CEPD, Taipei.

Chen, Hung-yu (1994), "Southward Policy and Regional Economic Integration," *Journal of Sunology* 8(3), pp. 1–37.

Chen, Wen-Chun (ed.) (1996), *Political Democratization in Taiwan* (in Chinese), National Sun Yat-sen University, Kaohsiung.

Cheng, Hsiao-shih (1992), ''The State and the Military: A Framework for Analyzing Civil-Military Relations in Taiwan (1950–1987)'' (in Chinese), *Journal of Social Sciences and Philosophy* 5, pp. 129–72.

Cheng, Tun-jen (1989), ''Democratizing the Quasi-Leninist Regime in Taiwan,'' *World Politics* 41, pp. 461–99.

Copper, John F. (1996), *Taiwan: Nation-State or Province?* Westview Press, Boulder, Colo.

Dessus, Sebastien, Hsu Chia-tong, and Hsu Mao-Hsuan (1996), *Chinese Taipei: The Origins of the Economic ''Miracle''* (in Chinese), Institute of Economics, Academia Sinica, Taipei.

GIO (Government Information Office, Taiwan, Executive Yuan) (1996, 1997, 1998), *The Republic of China Yearbook*, GIO, Taipei.

Haggard, Stephan, and Robert R. Kaufman (1997), ''The Economy of Democratic Transitions,'' *Comparative Politics* 29 (April), pp. 263–83.

Howe, Christopher (1996), ''The Taiwan Economy: The Transition to Maturity and the Political Economy of Its Changing International Status,'' *China Quarterly*, pp. 1171–95.

Hsiao, Hsin-Huang Michael (1992a), ''The Business-Making Process of Taiwan's Small to Medium and Big Businessmen'' (in Chinese), *Journal of Chinese Sociology* 16, pp. 139–68.

——— (1992b), ''Explaining the Taiwan Development Model: Lessons to be Learnt,'' in D. Kim et al. (eds.), *The Role of the Market and State: Economic and Social Reforms in East Asia and East-Central Europe*, Institute of East and West Studies, Yonsei University, Seoul, pp. 127–47.

——— (1992c), ''The Rise of Social Movements and Civil Protests,'' in T. J. Cheng et al. (eds.), *Political Change in Taiwan*, Lynn Rienner, Boulder, Colo., pp. 57–72.

——— (1992d), ''The Taiwan Experience,'' *Development and Democracy* 2, pp. 18–32.

——— (1995), ''The State and Business Relations in Taiwan,'' *Journal of Far Eastern Business* 1, pp. 76–97.

——— (1998), ''Normative Conflicts in Contemporary Taiwan,'' in Peter Berger (ed.), *The Limits of Social Cohesion: Conflict and Mediation in Pluralist Societies*, Westview Press, Boulder, Colo., pp. 320–51.

Hsiao, Hsin-Huang Michael and Koo, Hagen (1998), ''The Middle Classes and Democratization,'' in Larry Diamond et al. (eds.), *Consolidating the Third Wave Democracies: Themes and Perspectives*, Johns Hopkins University Press, Baltimore, pp. 312–33.

Hsiao, Hsin-Huang Michael and So, Alvin (1996), ''The Taiwan-Mainland Economic Nexus: Sociopolitical Origins, State-Society Impacts, and Future Prospects,'' *Bulletin of Concerned Asia Scholars*, 28(1), pp. 3–12.

IC-MOEA (Investment Commission, Ministry of Economic Affairs) (1997), *Statistics on Outward Investment and Indirect Mainland Investment*, IC, MOEA, Taipei.

Klein, Lawrence R. and Yu, Chuan-Tao (eds.) (1994), *Economic Development of ROC and the Pacific Rim in the 1990s and Beyond.* World Scientific Publishing Co., Singapore.

Ku, Samuel C. Y. (1994), ''The Political Economy of Taiwan's 'Southward Policy,' '' *Journal of Sunology* 8(3), pp. 39–65.

Kung, I-Chun (1995), ''The Penetration Capacity of an Immigrant State: The Formation and Consolidation of the Social Base of the KMT Regime, 1950–1969,'' Ph.D. diss., National Taiwan University.

Kuo, S. W. Y. (1994), ''Key Factors for High Growth with Equity – The Taiwan Experience, 1952–1990,'' in Klein and Yu 1994, pp. 1–17.

Kuo, S. W. Y., Ranis, Gustav, and Fei, John C. H. (1981), *The Taiwan Success Story*, Westview Press, Boulder, Colo.

MSEA (Medium and Small Enterprise Administration, Taiwan, Ministry of Economic Affairs) (1995), *The White Paper for Medium and Small Enterprises 1995*, MSEA, Taipei.

Shyu, Huoyan (1992), ''Party Realignment in the Democratic Transition of Taiwan: A Study of Changes in Democratic Values and Party Preferences'' (in Chinese), *Journal of Social Sciences and Philosophy* 5, pp. 213–63.

Simon, Denis Fred and Kau, Michael Y. M. (eds.) (1992), *Taiwan: Beyond the Economic Miracle*, M. E. Sharpe, New York.

Soong, Kuang-yu (1993), *Taiwan Experience: Historical Economy* (in Chinese), Tong-Ta Publishers, Taipei.

Tien, Hung-mao (1989), *The Great Transition: Political and Social Change in the Republic of China*. Stanford University Press, Stanford, Calif.

——— (1996), *Taiwan's Electoral Politics and Democratic Transition*, M. E. Sharpe, New York.

Tien, Hung-mao and Cheng, Tun-jen (1997), ''Crafting Democratic Institutions in Taiwan,'' *China Journal* 37, pp. 1–27.

Tien, Hung-mao and Chu, Yun-han (1996), ''Building Democracy in Taiwan,'' *China Quarterly*, pp. 1141–70.