

Rising unemployment in Taiwan as exports plunge

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Amid a deepening global recession, job losses in Taiwan are rising sharply. Official statistics released last Thursday showed that unemployment rose to 5.31 percent in January, the highest level since the outbreak of the SARS (Severe Acute Respiratory Syndrome) epidemic in 2003 that hit the island's retail and tourist industries. The total number of jobless was 578,000—a figure that did not include 274,000 so-called hidden unemployed.

One striking statistic is the number of jobs lost through plant closures—a total of 160,000 for the period from September to January. The number of older laid-off employees aged 45 to 64 also rose sharply to 125,000—an increase of more than 50 percent from last year. As older workers are often the main breadwinners for families, Taiwanese authorities warned that rising unemployment is having a broader social impact.

The 1-apple.com.tw, a Taiwanese news service, last week spoke to an unemployed couple—47-year-old Chang shie-jieh and his wife. Previously relatively well off with a combined monthly income of \$NT100,000 (\$US2,858), Chang lost his IT job in September and his wife lost hers in October. They are now dependent on unemployed benefits of \$NT260,000 (\$US743) a month, which end in March. "Every day I desperately look for a job, both of us had sent out nearly a hundred resumes in the past half year, but still find no work," Chang said.

The jobless figures are expected to worsen in coming months. Some analysts predict that unemployment could hit 8 percent in the first half of this year—or more than 1 million out of work. One indicator is a 30 percent increase in the number of applications for unemployment benefits in February.

Like many export-based Asian economies, Taiwan has been hit hard by the sharp downturn in its main markets in

the US, Europe and Japan. The country is in recession after an annualised contraction of 8.36 percent in the last quarter of 2008. The official forecast for 2009 is for negative growth of 2.97 percent, but Hong-Kong based brokerage firm CLSA predicts that the economy could shrink by 11 percent.

Taiwan's exports tumbled by 38.85 percent in January, year on year. Future prospects are grim with export orders plunging by 41.67 percent indicating further sharp declines in the next one to three months. The steepest drops in export orders were in five major industries—electronic parts, PCs, optoelectronics, base metals, machinery equipment and auto parts, all of which fell by more than 50 percent.

The declining demand for machinery and parts is largely the result of a plunge of export orders from China (including Hong Kong)—Taiwan's largest trading partner—by 54.71 percent. Over the past two decades, much of the Taiwanese manufacturing industry has shifted to China to take advantage of cheap labour and land. Trade has expanded rapidly as Taiwan has supplied components, capital goods and other inputs to the factories in mainland China, mainly for re-export. Falling Chinese exports to the US and Europe are rebounding indirectly on Taiwan.

Unemployment is rising despite a \$US15 billion government stimulus package, which includes infrastructure building and the handing out of consumer vouchers. In fact, the economic downturn is affecting those in work, as well as the unemployed. Average real wages fell by 3.13 percent in January, the largest-ever decline, which will further affect consumer confidence and economic growth. Facing growing social discontent, Premier Liu Chao-Shiuan has promised to resign if the Taiwanese economy shrinks by more than 5 percent this year.

The economic crisis is heightening divisions in Taiwanese ruling circles, particularly over the island's relations with China. The ruling Kuomintang (KMT) is advocating closer

ties with the mainland in the hope that its still growing economy will boost Taiwan's. In December, Taiwan and China established direct transport links for the first time in nearly 60 years. President Ma Ying-jeou called last month for the signing of a free trade pact with China—the Comprehensive Economic Cooperation Agreement (CECA). The opposition Democratic Progressive Party (DPP), which advocates a formal declaration of independence from China, has opposed the CECA, declaring it to be a trap by Beijing to reunify Taiwan.

Taiwan's ambiguous status stems from the 1949 Chinese Revolution in which the corrupt KMT regime was overthrown and fled to the island. Both the KMT and the Chinese Communist Party (CCP), which took power in Beijing, claimed to rule all China. The US backed Taiwan in the tense standoff with the mainland until 1972, when Washington recognised Beijing as the legitimate government of all China. The KMT regime on Taiwan was consigned to diplomatic limbo, with the US only promising to oppose a forcible takeover by China. Beijing has treated the island as a renegade province and warned of military intervention if it declared independence.

The DPP emerged in the 1970s and 1980s in opposition to the KMT dictatorship. It rested on layers of the Taiwanese bourgeoisie that had emerged as the island became one of the export-oriented Asian tiger economies. Taiwan's lack of international recognition was an obstacle to their commercial and political ambitions. The DPP also stirred up animosities between indigenous Taiwanese and "Mainlanders" who had fled to the island after 1949. After the KMT was compelled to open up elections in the late 1980s, the DPP made electoral gains, winning the presidency for the first time in 2000.

The emergence of China as the world's premier cheap labour platform in the past 20 years has dramatically altered political relations in Taiwan. Companies now have \$300 billion invested in China and the most powerful sections of big business are seeking to avoid any confrontation with Beijing that would damage their interest. Chen Shui-bian, the first DPP president, lost office last year and is currently embroiled in fighting legal charges of corruption.

President Ma warned last week that if the CECA trade deal with Beijing was rejected, "we will regret it tomorrow". He pointed out an agreement between China, Japan, South Korea and the Association of Southeast Asian Nations (ASEAN) to set up a regional free-trade zone could be finalised as early as 2010, leaving Taiwan, which is

excluded from the grouping, out in the cold. Without the CECA agreement, Taiwanese petrochemical, electronic components, textile and tool machine industries will lose their market share as they will have to pay tariffs on their exports to China, while ASEAN, Japanese or Korean rivals will export tariff-free. Taiwan would lose 114,000 more jobs as a result, Ma warned.

Beijing is also seeking to woo Taiwanese investors, offering \$18.8 billion in bailouts for firms operating on the mainland. Taiwanese home appliance makers have been allowed to participate in a subsidized program to sell white goods in the Chinese countryside. Bank credit worth \$584 million has been provided to 500 Taiwanese companies in China. Local governments, such as Xiamen in Fujian province, have offered to subsidise loans to small and medium Taiwanese firms by 30-50 percent to attract investment. These measures are compounding unemployment in Taiwan as firms take up the Chinese offers and shut their operations on the island.

Pro-independence parties and the media have seized on the job losses to stir up reactionary economic nationalism to divide Taiwanese and Chinese workers. The *Taipei Times* warned on Monday that the CECA agreement would lead Taiwan "down the road to Chinese domination" and result in the declining living standards if the two economies were integrated. "The economy of the more advanced country is weakened and workers either find themselves out of a job or see wages decline," it wrote.

In fact, China and Taiwan are already closely integrated economically as part of a world economy in which production processes are increasingly organised globally. Taiwanese corporations are not only exploiting cheap labour in China but turning to even lower-cost labour in Vietnam, India and other Asian countries, at the expense of the wages and jobs in Taiwan and China. Throughout the region, tens of millions of workers are being thrown out of a job. Any defence of jobs necessarily involves mobilising workers across national borders in a joint struggle against the predatory activities of globally-mobile capital and the profit system itself.



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