

Opinion

Privatization has missed the target

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Around the end of martial law, the political movements opposed to authoritarian rule based their economic appeal for reform around the idea of dismantling Taiwan's "party-state capitalism."

Their focus on party-state capitalism instead of what author Liu Chin-ching (劉進慶) calls "bureaucrat-cum-private capital" set the party and state as the primary target for reform, and failed to deal with the problems of separating government and business, and the public and private.

Party-state capitalism included the Chinese Nationalist Party's (KMT) party-run businesses and large state-owned enterprises, as well as the party and government's manipulation of these corporations through their political power.

The opposition movement naturally advocated abolishing all party assets. As for the public enterprises that were nominally considered property of people, the movement embraced their full liberalization and privatization under the influence of the new wave of neo-liberalism.

At this stage in Taiwan's democratization, has party-state capitalism really been transformed?

The KMT's stolen assets are seen today as a symbol of the authoritarian era, and they have become the KMT's most negative asset. Nevertheless, at long last the KMT issued a report last month on its assets, six years after losing power. The review, however, was far from adequate, and the KMT has hardly relieved itself of this burden.

As this is such a controversial topic, the Democratic Progressive Party (DPP) brings it up at every election or when confronted with a scandal of its own. This greatly reduces the legitimacy of its movement to investigate party assets. If party assets are to be an important target of political reform, then the attitudes of the two major parties have clearly revealed the sorry state of Taiwanese politics.

Since 2000, the newly empowered DPP has not only continued these privatization practices, but has expanded government and party control instead of promoting better monitoring of the public sector.

The privatization of public enterprises has been in progress since the end of martial law. The reform movement mainly took public enterprises to be the "forbidden treasures" of the party and state, and therefore advocated broad market liberalization and privatization of public enterprises, with emphasis placed on party and state controls.

After the end of martial law, various designated markets were opened up. However, the private sector was concerned with the monopoly rights of the public enterprises, and not with privatization per se. Therefore, following liberalization, preventing the government from competing with the people ceased to be the driving force behind the push for privatization.

After liberalization, market forces led to the re-emergence of monopolies by private enterprises and threatened public services. But under the influence of the new liberal ideology, both major parties seemed to abandon the principles of social democracy in their platforms.

During the 1990s, the KMT's push for privatization was criticized for favoring particular private interests. The methods it adopted to privatize were questionable, such as the cheap sale of assets to particular business groups and its general practice of selling off more than half of the government holdings.

In the latter case, it claimed it didn't need monitoring because it had already privatized, even though the government still had controlling interests in many companies. In the book *Deconstructing the KMT-State Capitalism* (解構黨國資本主義) in 1991, economists led by Chen Shih-meng (陳師孟) representing the reform camp clearly stated that approach to reform mentioned above is the worst way of pursuing privatization.

However, since 2000, the newly empowered DPP has not only continued these privatization practices, but has expanded government and party control and ignored better monitoring of the public sector.

Up until this point, only 34 companies have been privatized and the government has sold off its holdings in only a small number of unimportant industries. The government still retains controlling interests in the rest.

The Cabinet originally decided to push to privatize 68 companies, but that number doesn't come close to the actual number of official state-owned companies, and the number of companies that are officially private but actually run by the state is far greater than that. This provides those in the governing party with countless opportunities to provide people with posts.

In recent years, it has become clear that the DPP has been using these corporate appointments as rewards instead of taking candidates' professional qualifications into consideration. Companies' party affiliations are becoming more pronounced, even to the point that there are now so-called "blue" and "green" shares on the stock market. With the pan-blue camp's power in decline, blue shares are mainly comprised of party-run enterprises, such as China Television Co, Advanced Microelectronics Products and Fuhwa Financial Holding Co.

As for the pan-greens, in addition to such enterprises as Chi Mei Optoelectronics and Continental Engineering Corp, which have become green because of their owners' political and economic interests, publicly owned or semi-publicly owned companies such as Taiwan Fertilizer, Taiwan Synthetic Rubber Corp, China Steel, Chunghwa Telecom, China Airlines, Yang Ming Marine Transport and Taiwan Salt Industrial Corp have come to be seen by stockholders as green shares.

The aim of economic reform should be to turn state-owned enterprises into genuine privately-owned assets, and not the exclusive property of a political party. However, following the reforms of the DPP administration, people are more inclined to see public companies as green shares. The reality is that even though the governing party has changed, the publicly held or controlled assets are still seen as party assets.

The Taiwanese people have accepted this phenomenon as a natural consequence of the transfer of power, and are not interested in establishing an oversight system for the public sector.

Those who spoke out against party and state involvement in economic activities have failed to blame the DPP for continuing to control public companies and for "privatizing" by expanding political involvement. This could indicate that if in two years time the DDP and KMT once again swap power, everyone will expect the same charade to play out again. But why call it "reform"? Could it be that the original effort to dismantle party-state capitalism was only an attempt to seize power?

Whatever happened to the Taiwan Economic Association's proclamation in 1990 that it "opposed political parties' involvement in economic activities?" Of course, that was also partially an early reflection of society's common wish to move beyond the authoritarian era. But as there wasn't adequate criticism at that time, today there is no way to deal with the new government's corruption or help the nation more adequately monitor its public assets.

Many of the criticisms from that time held that the KMT and government's principal offense was its monopolization of resources. This came to be seen as lacking morality and legitimacy, while the issue of connections between business and government were ignored.

When the DPP took office, the monopolization of public resources came to be seen as acceptable. A lack of monitoring facilitated corruption and entanglement between government and business.

This shows that during the process of Taiwan's democratization, there has not been enough investigation of the problems of the original authoritarian system. We still have a long way to go on the road to better monitoring of the public sector and private participation in the public sphere.

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Translated by Marc Langer