

Research

## Taiwan's development of neoliberalism

Siti Hilya Nabila <sup>1,\*</sup>

<sup>1</sup> Columbia University, USA

\* Correspondence: [sn2912@columbia.edu](mailto:sn2912@columbia.edu)

Received Date: July 31, 2023

Revised Date: July 31, 2023

Accepted Date: July 31, 2023

Cite This Article:

Nabila, S.H. (2023). Taiwan's development of neoliberalism. *Journal of Economic, Business & Accounting Research*, 1(1), 75-80. <https://doi.org/10.61511/jembar.v1i1.2023.262>



**Copyright:** © 2023 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

### Abstract

This article analyzes the adoption of neoliberalism in Taiwan and its impact on financial, labor, and industrial policies. Taiwan adopted neoliberalism in the late 1970s, facing challenges in maintaining autonomy against global pressures and domestic business interests. The state-controlled market underwent a significant transformation because of the sacrifices made for various stakeholders. Taiwan's strong economic growth has been recognized globally, making it an example for other developing countries to implement neoliberal policies. This article focuses on the period after the 2008 global financial crisis, in which Taiwan implemented monetary and fiscal policies to stabilize the financial system and generate domestic demand. While supporting corporate financing and facilitating personal relationships with banks, the government aims to restore financial stability. The Taiwanese state has consistently pursued the values of neoliberalism while maintaining balance with societal-oriented policies. The government's approach to this problem has evolved, demonstrating efforts to overcome the side effects of neoliberal policies. Ultimately, Taiwan's economic development reflects the complex play of neoliberalism and its impact on various sectors in the country.

**Keywords:** financial policy; neoliberalism; Taiwan

## 1. Introduction

Taiwan adopted neoliberalism at a period (late 1970s) when the state encountered significant difficulties to maintain its autonomy against global, foreign pressure and rising domestic business interests. Thus, the state-controlled market has been decomposed by many concessions the government has made to various stakeholders. Taiwan's globally-acknowledged robust economic growth has played a role as a model of the developmental state about neoliberal policy for many less developed countries. However, since the mid-1980s, Taiwanese government has transitioned from its initial statist model to the globally empowered "market-orientated" restructuring. Taiwan conducted three main neoliberal transitions: privatisation of public sector enterprises, market openness, and fiscal austerity (Ming-Chang Tsai, 2001) which will be elaborated in the sections below

## 2. Results and Discussion

### Financial Policies

The highlight of Taiwan's financial policy (monetary & fiscal) for the last 50 years is its handling of the 2008 global financial crisis. To alleviate the impact of the financial crisis, the Taiwanese government launched the Economic Vitalization Package in September 2008. The focus of Taiwan's financial policy after the 2008 crisis lies in stabilizing the financial

system, increasing domestic demand, and maintaining stability in economic growth in the recovery process (Central Bank of the Republic of China (Taiwan), 2009). We would argue that in discussing the post-2008 Taiwan monetary approach and its relation to neoliberalism, there are two of Taiwanese government's approaches that are crucial to observe: 1) its approach in supporting corporate financing; 2) its approach in assisting individual-bank relations regarding credits. Both aspects were carefully monitored by the Taiwanese government to regain the stability of the post-2008 financial system.

### **Monetary policy: Corporate financing**

To assist corporations in dealing with the post-2008 economic crisis, the Taiwanese government launched several policies and institutions, including (Central Bank of the Republic of China (Taiwan), 2009) :

1. Establishment of a Special Task Force on Facilitating Business Acquisition of Operational Funds to assist small and medium-sized enterprises (SMEs) and large companies to obtain financial support directly from the government;
2. Extension of loan repayment period from corporations to the government;
3. Launching of a program titled Domestic Bank Loans to Small and Medium Enterprises which serves to increase SME lending by NT\$300 billion from July 2008 to the end of 2009; Provision of loans of NT\$600 billion to large corporations under the Directive for the Provision of Special Loans and Credit Guarantees to Non-SMEs;
4. Loosening the qualifying requirements for corporations to access credit, lowering the cost of credit guarantees and expanding the scope of credit guarantees deemed legal under the Small and Medium Enterprise Credit Guarantee Fund Taiwan (SMEG Taiwan) policy.

### **Monetary policy: Individual-bank relations in terms of credits**

Post-2008, the Taiwanese government also evaluated its stance in the middle of power relations between individuals and banks. The Taiwanese government then sought to further facilitate individual credit access to banks with many strategies. One of the strategies taken was to reduce the amount of interest for individuals accessing credits for housing.

In addition to the monetary policy described above, there is also an expansionary fiscal policy to stimulate domestic demand and maintain the momentum of domestic economic growth which is also the focus of the post-2008 Taiwanese financial policy (Central Bank of the Republic of China (Taiwan), 2009). . Promoting consumption. The Taiwanese government issued consumption vouchers worth NT\$3,600 per person starting January 18, 2009—totaling about NT\$80 billion—to effectively increase domestic consumption. Increasing employment rate. To create jobs, the government introduced the 2008-2009 Short-Term Job Promotion Program, which aims to provide around 50 thousand job vacancies from 2008 to 2009. In addition, the Employment Promotion Program was also re-implemented in 2009-2012 with a target of opening 50 thousand job openings per year from 2009 to 2012.

### **Labour Policies**

In 2020, Taiwan was listed as a country that ranks 19th out of 190 economies in terms of the ease of starting a business. Generally, this ranking was obtained by Taiwan because of its highly flexible labor policy towards foreign investors. Taiwan has also recorded an average growth of six percent in gross domestic product (GDP) over the past 30 years. Taiwan also has active and close trade relations with China and has a role as a logistics hub for the entire Asia Pacific region (Blueback Global, 2020). These facts have positioned Taiwan as a potential target for business expansion for multiple corporations & countries.

However, is Taiwan's flexibility and openness for foreign investors equal to complete neglect of workers' rights? How does Taiwan balance its neoliberal ambitions and preventing worsening inequality? To answer these questions, we can observe Taiwan's two main amendments of its labor law (2016 & 2018).

### **Taiwan's Labor Law: Labor Standards Act (LSA) post-2016 amendment**

The LSA is Taiwan's main law on workers' rights, setting minimum terms and conditions of employment for almost all industries and occupations. The LSA is effective for all Taiwanese citizens, foreigners working within Taiwan's territory, and Taiwanese citizens working overseas for institutions regulated under Taiwan's constitution. The LSA also regulates incentives for all types of business activity (including small day-to-day conduct of business to large, multinationals business expansion) in or to Taiwan. E.g.: Tax incentives are offered to employers who employ foreign professionals in several industries.

**Employment of foreign nationals.** The LSA has clearly set up mechanisms for foreign nationals to work for Taiwanese institutions or within Taiwanese territory. The LSA requires foreign nationals to have a work permit before applying for a residence permit. For a foreign citizen to obtain a work visa, the employer must submit an application on behalf of the concerned foreign citizen to the Taiwan Ministry of Manpower and provide documents such as an employment contract, certified record of work history, certified proof of educational attainment, and an active passport.

**Legal details on work environment and well-being.** Reflecting on its national tragedy at the end of the 2000s where Taiwan received global attention due to the death of a number of young people due to overwork. Subsequently, Taiwan progressively amended the LSA in 2016. In 2016, the LSA was amended to legally reduce the number of work hours per week. The amendment about work environment and well-being is a specific area with most comprehensive and strict legal details. Employees have a limit of work hours per week, which is a maximum of 40 hours a week, with a maximum of 8 hours of work per day without including overtime. The total number of work hours, including overtime, must not exceed the limit of 48 hours per week. Both employers and employees are also prohibited from working on holidays that have been legally stipulated in the LSA. If these conditions are violated, the employer will be fined in the range of \$685 to \$10,200 (USD). Regarding the dismissal of employees, LSA also has strong partialities towards workers. Under Taiwanese jurisdiction, an employer's termination of an employee may not be carried out "of his own free will." In fact, the reasons for termination of the employer are also regulated in the LSA in detail. Employers must have reasons for dismissal that revolve around fatal work error, absence without notice and reason, and force majeure.

**Legal details on the marginalized workers (elderly and women).** The LSA amendment extends to the protection of the elderly, women, and employees with special medical backgrounds—an aspect that was not specifically regulated prior to the 2016 amendment. Under the LSA, women are granted up to eight weeks of maternity leave. If a woman has worked for six months before giving birth, then she is entitled to full wages during the leave. Otherwise, she is entitled to half of her standard salary. In fact, the LSA also regulates the rights of women that encounter miscarriage. Under the Gender Equality Employment Act, men are entitled to 3 days of paternity leave and will still receive wages.

**LSA post-2018 amendment** (Blueback Global, 2020). LSA's alignment with workers after the 2016 amendment certainly reduces foreign investors' interest in expanding business to Taiwan due to the high cost of compliance with LSA and the cost of government supervision.

According to Blueback Global, surveys prove that international companies based in Taiwan can pay compliance fees in excess of \$20,000 USD (Blueback Global, 2020). Strict overtime provisions in the LSA cause corporations to also incur high overtime fees and additional management fees. Due to this tension between corporations and the government, the government then amended the LSA back in 2018, which allows corporations to require employees to work for 12 consecutive days, with only 8 hours of rest between shifts. This regulation is, of course, a new loophole for labor exploitation.

### Industrial Policies

In May 2016, Taiwan inaugurated its newest model of economic development with the main focus being: promoting economic growth by promoting innovation, increasing employment rate and ensuring equitable distribution of economic gains (Central Bank of the Republic of China (Taiwan), 2009). Initiative like the New Southbound Policy is a product of Taiwan's latest development model which then underlies Taiwan's strategies to strengthen global and regional connections, diversify international markets for six specific industries. The strengthening of global and regional connections as well as market diversification is carried out by Taiwan by strengthening relations with ASEAN member countries, Australia, South Asia, and New Zealand.

The six strategic industries that were set as the main focus of the 2016 Taiwan Economic Development Model are as follows: biotechnology & medical technology; digital information and technology; cyber security; green and renewable energy; National defense; and stockpile industry. Through this proactive policy, based on World Trade Organization data, Taiwan managed to become the 15th largest exporter and 18th largest importer in 2020. Taiwan's gross domestic product per capita reached US\$ 28,371 in 2020. Taiwan is also one of the holders of the largest foreign exchange reserves as of December 2020.

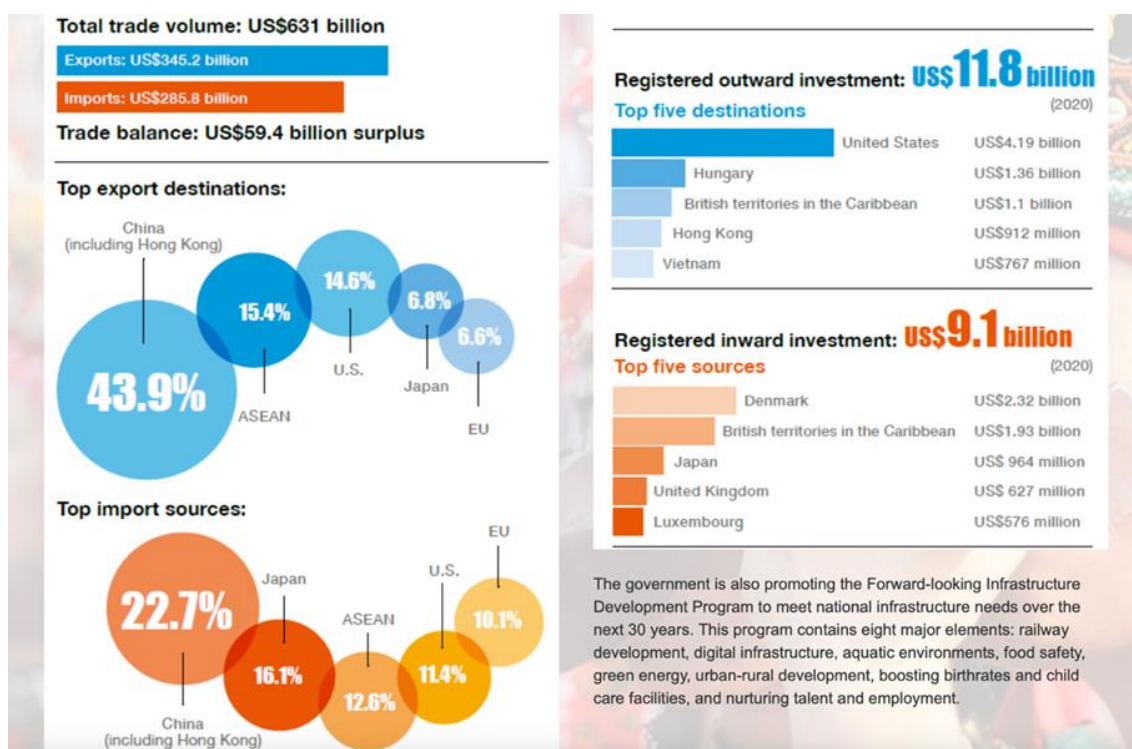


Figure 1. Profile of Taiwan’s most recent industrial policy (Central Bank of the Republic of China (Taiwan), 2009).

As shown in Figure 1, Taiwan has been maintaining active and significant economic ties with China both in the aspect of export and import. Figure 1 also explains that in terms of trade, Taiwan has more promising regional connections rather than global. This is proven by its priorities of export being to China and ASEAN, and priorities of import being receiving from also China, Japan, and ASEAN. On the contrary, in terms of investment, both for inward and outward investment, Taiwan prioritizes building more ties with the US, UK, and European countries.

To assess how neoliberalism plays a role in Taiwan's economic growth for the past 50 years, our group decided to use these three standardizing questions: 1) Does the free market reign? 2) Does the state create laws to protect the free market? 3) Do these laws protect the free market from democratic demands for redistribution or social justice?

If we take a look at Taiwan's records of economic development at a glance, we can easily diagnose that neoliberalism plays a significant role in the country's financial, labour, and industrial policies. This is due to the fact that in 2020, as explained above, Taiwan was listed as a country that ranks 19th out of 190 economies in terms of the ease of starting a business. Generally, this ranking was obtained by Taiwan because of its highly flexible labor policy towards foreign investors. However, the dynamics of Taiwan's economic policies' interaction with neoliberalism are more nuanced when investigated further. Taiwan's labour policy, for example, had shown strong partiality towards the rights of workers post-2016 amendment and subsequently had also shown weak linkages with neoliberal values. However, post-2018 amendment, Taiwan adopted back neoliberal values in its labour policy which allows corporations to require employees to work for 12 consecutive days, with only 8 hours of rest between shifts—a new loophole for labor exploitation. Post-2008, Taiwanese government also evaluated its stance in the middle of power relations between individuals and banks and offered several monetary policies that are more people-centered. For fiscal and industrial policies, the country's efforts to promote consumption and boost employment rate, as well as significantly maximize export resonate with neoliberalism. In brief, does the free market reign in Taiwan? Yes, it is also statistically proven. Does the state create laws to protect the free market? Yes. Do these laws protect the free market from democratic demands for redistribution or social justice? Yes, but not at all cost. We would argue that the Taiwanese government's stance on this matter is very nuanced as it has consistently shown efforts to adopt neoliberalism as well as to balance it with people-centered policies. It is very evident that in the last few decades Taiwan has been attempting to maintain the side effects of its neoliberal policies.

**Acknowledgement:**

Acknowledgement is given to reviewer and IASSSF team for the support of this paper.

**Author Contribution:**

S.H.N, carry out all the research processes from the preparation stage to the writing of the manuscript. Author has read and agrees to the published version of the manuscript.

**Funding:**

This research received no external funding.

**Ethical Review Board Statement:**

Not Applicable.

**Informed Consent Statement:**

Not Applicable

**Data Availability Statement:**

No new data.

**Conflicts of Interest:**

The authors declare no conflict of interest.

**References**

- Blueback Global. (2020). Employment Spotlight: Taiwan Labor Laws Highlights. March 13. <https://bluebackglobal.com/taiwan-labor-laws/>
- Government Portal of the Republic of China (Taiwan). (2021). Economy. [https://www.taiwan.gov.tw/content\\_7.php](https://www.taiwan.gov.tw/content_7.php)
- Government Portal of the Republic of China (Taiwan). (2009). Financial Stability Report May 2009: Taiwan's policy measures to cope with the global financial crisis. Taipei: Government of the Republic of China (Taiwan). <https://www.cbc.gov.tw/en/dl-6405-3ff1859d9bf94811903fbbb137a64211.html>
- Tsai, M. C. (2001). Dependency, the state and class in the neoliberal transition of Taiwan. *Third world quarterly*, 22(3), 359-379. <https://doi.org/10.1080/01436590120061651>