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ECONOMIC DEVELOPMENT AND POLITICAL TRANSITION
IN TAIWAN AND SPAIN: A COMPARATIVE ANALYSIS
FROM A EUROPEAN PERSPECTIVE



Pablo Bustelo

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**ECONOMIC DEVELOPMENT AND POLITICAL TRANSITION
IN TAIWAN AND SPAIN: A COMPARATIVE ANALYSIS
FROM A EUROPEAN PERSPECTIVE**

**Pablo Bustelo
Associate Professor of Economics
Complutense University of Madrid
SPAIN**

**Escuela Universitaria de Estudios Empresariales
Plaza de España, 16
28008 Madrid (Spain)
Fax: (91) 394.67.97**

Abstract: Taiwan in the late 80s and Spain in the second half of the 70s are two examples of gradual drive from an authoritarian regime to a democratic system. In both cases, political transition was the long-term result of high economic growth and rapid social change achieved in the previous decades. Another analogy is that the trend toward democracy was initiated and stimulated from within the authoritarian regime, with no major break in the statu quo.

But there are also important differences between the two processes. Firstly, their economic record during the transition was opposite: Taiwan's successful adjustment to the new international environment contrasts sharply with Spain's structural crisis, which lasted until 1984. Secondly, the military and the ultra-rightist forces played a much less significant political role in Taiwan. And, thirdly, in spite of better economic conditions and less conservative pressures, Taiwan's transition to democracy, since the lifting of martial law in 1987, has been slower than Spain's process in the period from Franco's death in November 1975 to the first free general elections in June 1977.

Although the differences between the two cases can not be overlooked, Spain's experience, which has proved to be, in historical perspective, very successful, could provide some inspiration for Taiwan's forward trend toward democracy (most notably, the importance of political consensus and of adequate treatment of labor issues). Spain's case also highlights that the prolongation of authoritarianism and the internal dissents in the ruling party could intensify economic problems and even jeopardize the transition toward democracy.

Pablo Bustelo, PhD, is Associate Professor of Economics at the Complutense University of Madrid (Spain). Among other works, he is the author of Economía política de los nuevos países industriales asiáticos [Political Economy of the Newly Industrializing Asian Countries], Siglo XXI Editores, Madrid, 1990, in spanish, and Economía del desarrollo: un análisis histórico [Development Economics: A Historical Analysis], Ed. Complutense, Madrid, 1991, in spanish.

1. DEVELOPMENT AND DEMOCRACY: A THEORETICAL INTRODUCTION

The evolution of theories focusing on the relationship between democracy and economic development in the Third World may be broadly divided in three main phases: the classic liberal modernization school phase; the period of the conservative reassessment and of the "bureaucratic-authoritarian regimes" literature; and the new focus on the appearance of authoritarianism, on transitions to democratic rule and on the new relationship between economic development and political freedoms in developing countries (1).

The first period - broadly the 1950s and 1960s - was the phase of the hegemony of classic modernization theory. For its supporters, economic development created preconditions of democracy such as literacy, mass communication, income equality, social stability, and, above all, a middle class seeking for political freedoms (2). This naive belief in the inevitability

(1) Excellent surveys are R. Higgott and R. Robison, "Theories of Development and Underdevelopment: Implications for the Study of Southeast Asia", in R. Higgott and R. Robison (eds.), Southeast Asia. Essays in the Political Economy of Structural Change, Routledge and Kegan Paul, London, 1985, pp. 16-61; S. Haggard, "Authoritarianism and Democracy: Political Institutions and Economic Growth Revisited", in his Pathways from the Periphery. The Politics of Growth in the Newly Industrializing Countries, Cornell University Press, Ithaca, N.Y., 1990, pp. 254-270 and V. Hewitt, "Modernization is Alive and Well and Living in ...", The Pacific Review, vol. 4, No. 1, 1991, pp. 68-69.

(2) See S. M. Lipset, "Some Social Prerequisites of Democracy: Economic Development and Political Legitimacy", American Political Science Review, vol. 53, No. 1, March 1959, pp. 69-105; G. Almond and J. S. Coleman (eds.), The Politics of Developing Areas, Princeton University Press, Princeton, N. J., 1960 and B. Moore Jr., Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World, Beacon Press, Boston, Mass., 1966.

of a wide diffusion of Western political values and, hence, of democracy (and even of development itself) waned as, in the 1960s, many Third World nations began to evolve into authoritarian regimes (Brazil and Zaire in 1964, Indonesia and Philippines in 1965, ...) and experienced growing economic difficulties.

The second phase - the late 60s and the 70s - was the period of a conservative reassessment of the liberal values of the previous decades (3). Political development began to be seen as a process of creating stable (and not necessarily democratic) institutions. Order and strong governments were even stressed as prerequisites of economic growth (4).

On the other side of the political spectrum, this phase also witnessed the appearance of a wide "bureaucratic authoritarian regimes" (BAR) literature, which followed the wake of early dependency theory, pioneered in the late fifties and in the sixties by P. Baran or A. G. Frank. This school stressed authoritarianism's inevitability in the Third World, because of the political and economic requirements of dependent development. The "development of underdevelopment" (Frank) or the "associated dependent development" (Cardoso) demanded, in a medium term, repression and the dismantling of the instruments of defense of

(3) D. C. O'Brien, "Modernisation, Order and the Erosion of a Democratic Ideal: American Political Science 1960-1970", The Journal of Development Studies, vol. 8, No. 2, 1972, rep. in D. Lehmann (ed.), Development Theory: Four Critical Studies, Frank Cass, London, 1979, pp. 49-76.

(4) S. P. Huntington, Political Order in Changing Societies, Yale University Press, New Haven, Conn., 1968. For a critical analysis of Huntington's work, see C. Leys, "Samuel Huntington and the End of Classical Modernization Theory", in H. Alavi and T. Shanin (eds.), Introduction to the Sociology of "Developing Societies", MacMillan, London, 1982, pp. 332-349.

the popular classes (5). Guillermo O'Donnell even suggested that the "deepening" of import-substituting industrialization (ISI), i. e., the progressive transition from primary to secondary ISI, was responsible for the rise of bureaucratic-authoritarian regimes in Latin America in the 1960s and first 1970s (6). The income concentration and the wages control that these regimes favored enabled to expand the market for consumer durables, which were capital and intermediate inputs-intensive, and to attract more investment, whether foreign or domestic.

The third phase was the result of a rejection both of conservative theory and BAR literature. The reassessment of the appearance of authoritarianism in the Third World followed a frontal critique of the BAR theory (7). Firstly, it was suggested that military coups d'Etat had broader aims than simply facilitate secondary import substitution (8). Secondly, and more important, the timing of industrial growth and political change was not as described by the BAR thesis. For example, in Brazil, secondary ISI began much earlier than 1964: the steel

(5) See F. H. Cardoso, "Associated-Dependent Development: Theoretical and Practical Implications", in A. Stepan (ed.), Authoritarian Brazil. Origins, Policies and Future, Yale University Press, New Haven, Conn., 1973, and P. Evans, Dependent Development: The Alliance of Multinational, State and Local Capital in Brazil, Princeton University Press, Princeton, N. J., 1979.

(6) G. O'Donnell, Modernization and Bureaucratic Authoritarianism: Studies in South American Politics, Institute of International Studies, University of California, Berkeley, 1973.

(7) See D. H. Levine, "Paradigm Lost: Dependence to Democracy", World Politics, vol. XL, No. 3, April 1988, pp. 377-394.

(8) See, for example, Y. Cohen, "Democracy from Above: The Political Origins of Dictatorship in Brazil", World Politics, vol. XL, No. 1, October 1987, pp. 30-54.

industry was initiated in the 1940s with the Volta Redonda Project and the capital goods activities were already well developed in the late 1950s. In addition, the 1964 coup represented precisely a reversal of the previous import-substituting policies as the military regime implemented in 1964-67 a stabilization programme aimed at strengthening exports (9).

A reaction to this was to link the origins of authoritarian regimes in the Third World to the shift to an export-oriented industrialization (EOI) strategy, consecutive to the exhaustion of ISI caused in the first sixties by the narrowness of the domestic market and the continued balance of payments difficulties. It was stressed that the production of manufactured goods for the world market required a drastic wage control, the dismantling of organized labor and the repression of political opposition. Focused primarily on East Asia, this school of thought linked directly the discipline and political quiescence of the labor force to the repression exerted by the State (10).

Nevertheless, as F. Deyo has pointed out, labor discipline in East Asia (and most notably in Taiwan and Hong Kong) was mainly the result of structural factors (colonial legacy, immigration, land reform, rural industrialization, ...) indepen-

(9) See J. Serra, "Three Mistaken Theses Regarding the Connection between Industrialization and Authoritarian Regimes", in D. Collier (ed.), The New Authoritarianism in Latin America, Princeton University Press, Princeton, N. J., 1979.

(10) F. Fröbel, J. Heinrichs and O. Kreye, The New International Division of Labour. Structural Unemployment in Industrialised Countries and Industrialisation in Developing Countries, Cambridge University Press, Cambridge, 1980 and M. Launius, "The State and Labor in South Korea", Bulletin of Concerned Asian Scholars, vol. 16, No. 4, 1984, pp. 1-21.

dent of the State policies (11). In addition, the beginning of labor repression and subordination through State policies (1949 in Taiwan, 1959 in Singapore, 1961 in South Korea, 1964 in Brazil, ...) preceded the launching of EOI (1958 in Taiwan, 1965 in Singapore, 1964 in South Korea, 1967 in Brazil, ...). Labor exclusion by the State was adopted on behalf of political considerations, well before the shift in the economic strategy (12).

The exhaustion of democracy in developing countries was subsequently - once the "deepening" of ISI and the launching of EOI theses had been rejected - linked to political and economic crisis of different origins and features: the economic difficulties broadened the political conflicts, which were the prime reason for military coups (13).

The authoritarian regimes in Latin America had all disappeared in the mid-eighties, joining the new democracies established in Portugal, Greece and Spain in the 1970s. The scholars' interest shifted again, away from the presumed inevitability of

(11) F. C. Deyo, Beneath the Miracle. Labor Subordination in the New Asian Industrialism, University of California Press, Berkeley, Ca., 1989.

(12) F. C. Deyo, "State and Labor: Modes of Political Exclusion in East Asian Development", in F. C. Deyo (ed.), The Political Economy of the New Asian Industrialism, Cornell University Press, Ithaca, N. Y., 1987 and F. C. Deyo, S. Haggard and H. Koo, "Labor in the Political Economy of East Asian Industrialization", Bulletin of Concerned Asian Scholars, vol. 19, No. 1, 1987, pp. 42-53.

(13) J. J. Linz and A. Stepan (eds.), Breakdowns of Democratic Regimes, The Johns Hopkins University Press, Baltimore, Ma., 1978 and, for Brazil, M. Wallerstein, "The Collapse of Democracy in Brazil: Its Economic Determinants", Latin American Research Review, vol. XV, No. 3, 1980, pp. 3-40.

authoritarianism, to the features of transitions to democracy (14).

The issues that the researchers are now dealing with are not those associated with the failure of democracy, as in the 60s and 70s, but those of the failure of many authoritarian regimes. There is a strong tendency to go back to the early modernization theory, stressing again the inevitability of democracy as the Third World countries develop (15). But the problem seems to be that successful economic development in the Third World has only occurred in a handful of countries, specially in the Newly Industrializing Asian Countries (NIACs), and most notably, in Taiwan. The rest of this paper will concentrate on the problems of democracy in the 1980s and early 1990s in an already developed Third World country and will not comment the factors behind the previous extraordinary development (16).

2. ANALOGIES AND DIFFERENCES BETWEEN TAIWAN AND SPAIN

This section summarizes some analogies between the cases of Taiwan and Spain, as far as the issues of economic development and political change are concerned. It also points out the main differences that distinguish both processes. The similarities may

(14) See G. O'Donnell, P. C. Schmitter and L. Whitehead (eds.), Transitions from Authoritarian Rule: Prospects for Democracy, The Johns Hopkins University Press, Baltimore, Ma., 1986.

(15) L. Diamond, J. J. Linz and S. M. Lipset (eds.), Democracy in Developing Countries, Lynne Rienner, Boulder, Co./Adamantine, London, six volumes, 1988-1991.

(16) A very exhaustive review of these factors can be found in C. Clark, Taiwan's Development. Implications for Political Economy Paradigms, Greenwood Press, New York, 1989. I have myself also elaborate on the subject.

be enumerated as follows.

Economic growth and social change

Firstly, in both countries rapid economic growth during the previous decades, specially since the opening to the world economy (1958 in Taiwan; 1959 in Spain), brought about social change. The emergence of a civil society and, in particular, of a growing middle class with rising political consciousness and expectations generated democracy claims and put pressure on the government.

Taiwan has experienced extraordinary economic growth in the last forty years (17) in spite of unfavourable initial conditions (lack of arable land and natural resources; high population density; split from the mainland, ...). This growth transformed the island from an underdeveloped and low-income country in the fifties into a developed nation with high per capita income in the eighties. Spain also achieved high growth during the six-ties and first seventies (18). Although its economic results have not been as impressive as those of Taiwan, Spain was termed a Newly Industrializing Country (NIC), along with Portugal, Greece, Yugoslavia, Brazil, Mexico, and the Far East four economies (South Korea, Taiwan, Hong Kong and Singapore) in

(17) Real GDP grew at an average of 8.8% between 1953 and 1989. Source: Council on Economic Planning and Development, Taiwan Statistical Data Book 1990, Taipei, 1990.

(18) In 1950-75, per capita GNP annual growth rates were 5.3% in Taiwan, 5.1% in Spain, 3.2% in OECD, 2.6% in Latin America, 2.4% in Africa and 1.7% in South Asia. Source: D. Morawetz, Twenty-five Years of Economic Development, 1950 to 1975, A World Bank Research Publication, The Johns Hopkins University Press, Baltimore, Ma., 1977, table A1. Along with Greece's (5.4%), Taiwan and Spain rates were the highest in the table.

a 1979 OECD study (19).

In Taiwan, the highly fluid class structure that existed in the 1950s, as a result of the disappearance of landlords consecutive to land reform, of the weakness of industrial bourgeoisie and of popular exclusion (20), along with the high and particularly redistributed growth and with the widespread diffusion of small and medium-sized enterprises, generated a broad middle class and, in Hagen Koo terms, a "predominantly petit bourgeois society".

Income per head rose rapidly (US\$ 8,000 in 1990; 10,000 if the underground economy is considered). And so did literacy rate (45% in 1952 and 92% in 1989) and the percentage of population with at least some higher education, which is now specially high in Taiwan (45% in Taiwan; 22% in the United Kingdom). In the 50s, the aid-reliance on the U.S. favored an internationalisation of outlook. The outward-orientation of the economy since 1958 also enhanced foreign benefic influences, as the dependence on international trade and the contact with other countries generated a new political sophistication among taiwanese businessmen (21).

(19) OECD, The Impact of the Newly Industrializing Countries on Production and Trade in Manufactures, OECD, Paris.

(20) See H. Koo, "The Interplay of State, Social Class, and World System in East Asian Development: The Cases of South Korea and Taiwan", in F. C. Deyo (ed.), The Political Economy of the New Asian Industrialism, Cornell University Press, Ithaca, N. Y., 1987, pp. 165-181.

(21) See T. A. Metzger and R. H. Myers, "Understanding the Taiwan Experience: An Historical Perspective", The Pacific Review, vol. 2, No. 4, 1989, pp. 297-311.

As in Spain, economic success partially legitimated the political system, a factor that contributes to explain why the period of authoritarian rule lasted so long. In the case of Taiwan, this period was also prolonged because of the traditional chinese authoritarian political culture. Moreover, in Taiwan the democratic transition was delayed: the pressure for democratization was reduced in the late 60s as the regime initiated a very limited transformation of the legislature since 1969, when the first "supplementary elections" were held. In addition, the taiwanese elite, marginalised by the mainlanders since the 1940s, was coopted into government in the late seventies, when President Chiang Ching-kuo indigenized the civil service (22).

Transition from within

A second analogy between Spain and Taiwan is that, in both cases, the transition toward democracy was initiated from within the system, as a result of the pressure exerted by the opposition on the regime reformists. The possibilities of political competition were created under the authoritarian regime and the transition was gradual, featured institutional stability and did not lead to an overloading of government structures (as in Portugal, Philippines, Romania, ...).

In Taiwan, the government opened up, since the mid-seventies, space for political competition (23). As the interna-

(22) E. A. Winckler, "Elite Political Struggle, 1945-1985" in E. A. Winckler and S. Greenhalgh (eds.), Contending Approaches to the Political Economy of Taiwan, East Gate/M. E. Sharpe, Armonk, N. Y., 1988, pp. 151-171.

(23) See J. F. Cooper, "Political Development in Taiwan", in H. Chiu (ed.), China and the Taiwan Issue, Praeger, New York, 1979, pp. 37-73, also in J. C. Hsiung (ed.), Contemporary Republic of China. The Taiwan Experience, 1950-1980, Praeger, New York, 1981, pp. 359-373.

tional position of the Republic of China (ROC) declined in the first seventies, the political opposition grew. Although illegal, it was tolerated and even participated, as "dangwai" (out of the party candidates) in local and general elections. The Democratic Progressive Party (DPP) was created in september 1986 as the main force in the opposition and it obtained several stirring political victories in the 1986 and 1989 general elections. In addition, the government has in recent years accelerated the trend toward a full democracy (24): in July 1987, it lifted the martial law, in force since May 1949 (25); in January 1989, it legalised the opposition parties, although with certain conditions (respect to the Constitution, anticommunism and antiseccessionism). In May 1991, the government declared the end of the 1948 "temporary provisions" which suspended the Constitution and gave extensive emergency powers to the president during the period of "communist rebellion" in the mainland.

In Spain, a Law of Political Reform was enacted in 1976 by the Francoist Parliament (which then committed political suicide) and subsequently ratified in a referendum. The opposition parties - the Socialists and Communists were the main forces - were legalised in 1976-1977 under a government presided by a former Franco's Minister, Mr. Adolfo Suárez. Free elections were held in

(24) See S. Long, "Political Reform in Taiwan 1986-89", in his Taiwan: China's Last Frontier, MacMillan, London, 1991, pp. 180-202, T. Ling and R. H. Myers, "Winds of Democracy: The 1989 Taiwan Elections", Asian Survey, vol. XXX, No. 4, April 1990, pp. 360-379 and J. T. Dreyer, "Taiwan in 1990. Finetuning the system", Asian Survey, vol. XXX1, No. 1, January 1991, pp. 57-63.

(25) For an analysis of the martial law, see R. C. Kagan, "Martial Law in Taiwan", Bulletin of Concerned Asian Scholars, vol. 14, No. 3, July-September 1982, pp. 48-54.

June 1977 (26).

Beyond the analogies, there are also strong differences between Taiwan and Spain.

The economic record

A first difference is their economic record during the political transition. Taiwan experienced a continued economic expansion with excellent results in the external sector. Spain suffered a deep crisis in the mid-seventies and first eighties and its balance of payments worsened sharply. GDP annual growth was substantially lower in Spain between 1974 and 1984 than in Taiwan between 1980 and 1990 (see the table). Moreover, Taiwan has enjoyed a sizeable trade surplus in the 1980s (equivalent to more than + 20% of GDP in 1986 and 1987). Spain's trade deficit reached -8,1% of GDP in 1974 and remained around -5% in 1980-82.

GDP annual growth rates during the political transition in Taiwan (1980-1990) and Spain (1974-1984)			
<u>Taiwan</u>		<u>Spain</u>	
1980	6.8	1974	5.3
1981	5.5	1975	0.5
1982	3.4	1976	3.3
1983	7.7	1977	3.0
1984	9.6	1978	1.4
1985	4.4	1979	-0.1
1986	10.6	1980	1.2
1987	12.4	1981	-0.2
1988	6.8	1982	1.2
1989	5.7	1983	1.8
1990	5.2 (GNP)	1984	1.8

Sources: Asian Development Bank and Contabilidad Nacional de España

(26) See P. Preston, The Triumph of Democracy in Spain, Methuen, London, 1986.

The intensity of crisis in Spain was due to several factors: the effects of the oil shocks of 1973 and 1979 in an extremely oil-dependent economy, a big growth in labor costs, the competitiveness of Third World countries in key world markets and the lateness of the adjustment policy. In Spain, as in many latin-american nations, the retreat of authoritarianism was also the result of the regime's inability to cope with growing economic difficulties and of the evaporation of the economic growth that legitimated the authoritarian rule.

On the contrary, Taiwan's political transition accelerated in a period of high economic growth (27). Moreover, the political regime was not, in the first eighties, an obstacle to economic restructuring so it did not retard economic development (28).

The military role

A second difference is the much less significant role of the military in Taiwan. In Spain, as the regime was the product of a civil war, the army remained an important political force until the early 80s, although not as much as in Portugal or Greece. A military coup was aborted in 1981. In Spain, the coup, which took place in February 23, is called "23 F". It involved the occupation of parliament and the retainment of the government for more than twelve hours. On the contrary, in Taiwan, the armed forces, in spite of their relative strenght, did not play a major po-

(27) See B. T. K. Joei (ed.), Taiwan in Transition. Political Development and Economic Prosperity, The Tamkang University, Taipei, 1989.

(28) G. Sørensen, "Taiwan", in his Democracy, Dictatorship and Development. Economic Development in Selected Regimes of the Third World, MacMillan, London, 1991 (pp. 118-144), p. 142.

litical role, as they did, for instance, in South Korea or Latin America (29). Since the late 1950s, economic development was given top priority, instead of defense and social stability, which were the main concerns in the early years of the ROC. The military began to lose influence in the State while the economic technocrats gained it (30). In addition, the military never experienced open political intervention, as they did in many latinamerican countries. As Winckler and Greenhalgh put it, "the military has not had to intervene, partly because Taiwan has no effective representative institutions to suspend, and partly because Taiwan's broadly distributed prosperity means that there is little mass discontent to repress" (31). During the political transition, military role further diminished, even if a former General, Mr. Hau Pei-tsun, was appointed Prime Minister in July 1990. Nevertheless, this gesture was interpreted more as a reinforcement of government authority rather than an inroad of the military into politics.

(29) See H.-S. Cheng, Party-Military Relations in the PRC and Taiwan, Westview Press, Boulder, Co., 1990. For South Korea see J. Huer, Marching Orders. The Role of the Military in South Korea's "Economic Miracle", 1961-1971, Greenwood Press, Westport, Conn., 1989 and H. B. Im, "The Rise of Bureaucratic Authoritarianism in South Korea", World Politics, vol. XXXIX, No. 2, January 1987, pp. 231-257. For a comparative analysis, B. Cumings, "The Abortive Abertura: South Korea in the Light of Latin American Experience", New Left Review, No. 173, January-February 1989, pp. 3-32.

(30) R. Wade, "The Political System" in his Governing the Market. Economic Theory and the Role of Government in East Asian Industrialization, Princeton University Press, Princeton, N.J., 1990, p. 246.

(31) E. A. Winckler and S. Greenhalgh, "Analytical Issues and Historical Episodes", in E. A. Winckler and S. Greenhalgh (eds.), op. cit. (pp. 3-19), p. 11.

Slower transition

A third difference is that, in spite of better economic conditions and less military pressure, Taiwan's transition to democracy in the 1980s has been slower than Spain's in the 1970s. In Spain, less than two years elapsed between the death of the head of the dictatorial state (November 1975) and the first free general elections (June 1977), which gave birth to a constituent Parliament. In Taiwan, no free elections to all the seats in the Legislative Yuan and the National Assembly have been held, since the lifting of martial law in July 1987.

The reasons for what could be called "a slow transition" in Taiwan seem to be related to the absence of democratic tradition, the good economic results, the gradual "opening" of the regime, and, specially, to the Leninist character of the ruling party (the Kuomintang or KMT) and the lateness and weakness of the opposition movements (32). On the contrary, Spain has experienced democracy under the Second Republic (1931-1936). Economic situation deteriorated sharply in the early 70s. The Francoist regime was ruled by a mix of politicians and military with no formal organisation. Opposition to Francoism was intense since the beginning of the dictatorship, but specially during the sixties and the seventies.

In the 1920s, the KMT reorganised itself along Leninist lines, with the help of Russian advisors (including Comintern's agitator Mikhail Borodin) (33). The Reorganisation Conference

(32) See T.-J. Cheng, "Democratizing the Quasi-Leninist Regime in Taiwan", World Politics, vol. XLI, No. 4, July 1989, pp. 471-499.

(33) See R. Bedeski, State Building in Modern China: the Kuomintang in the Prewar Period, Institute of East Asian Studies, University of California, Berkeley, 1981.

(January 1924) resulted in a pyramidal structure, a strong cult of personality and the monopoly of power, features exacerbated since 1949, when the KMT fled to Taiwan. Moreover, in 1950-52 a Party Reform purged "indisciplined" elements and tightened internal organisation. In the 1980s, the KMT constituted a stronger barrier to democracy than the military in South Korea or in Brazil, because of its "Leninist" resistance to transform itself from a hegemonic to an ordinary and competitive party.

On the other side, opposition to authoritarian rule in Taiwan has been late and weak. The absence of populism, contrary to the case of Latin America, and the early exclusion of labor force as a political partner (34) partly explain this trend. Moreover, the brutal suppression of the February 28, 1947 uprising (35) eliminated political opposition for, at least, twenty years. In addition, until the early eighties, the KMT did not hesitate to apply the full weight of martial law to crush political dissent, as in the "Free China Movement" affair in 1960, the "Taipei Spring" in 1971-73, and the Kaoshiung incident in 1979. And the 1973 and 1979 protests were related more to diplomatic setbacks (ROC expulsion of the UN and Nixon's visit to Beijing in 1972 and U.S. recognition of PRC in 1978) than to strong claims of political reform.

The elitism and organizational inability of opposition in

(34) See S. Haggard, ob. cit., pp. 255-261 and Deyo, ob. cit..

(35) See G. H. Kerr, Formosa Betrayed, Eyre & Spottiswoode, London, 1965.

the sixties and seventies were also responsible for its weakness (36). In the 80s, the democratic movement was continuously weakened by radicalism and divided by factionalism, specially between those who wanted to concentrate on reform in Taiwan and those advocating, although implicitly, independence (37). The KMT's growing sophistication in electoral strategy contributed also to the limited success of the opposition in the mid-80s elections.

3. THE TASKS AHEAD IN THE DEMOCRATIZATION PROCESS

The acceleration of political transition is one of the main tasks. The end of the "temporary provisions" in May 1991 expressed, besides the recognition that mainland was beyond hope of recovery, deep democratic intentions and paved the way into elections of fully democratic National Assembly and Legislative Yuan, as these provisions froze indefinitely in office since 1948 all mainland-elected members of the two bodies. The government foresees that all seats in the National Assembly, the Legislative Yuan and the Control Yuan will be elected in Taiwan in late 1991, 1992 and 1993, respectively. The opposition objects that the KMT's plan contemplates that the National Assembly will include "mainland" (and some overseas Chinese) representatives. This is based on the assumption that Taiwan's Assembly represents all China. Some analysts assert that the claim of total sovereignty

(36) See M. Huang, Intellectual Ferment for Political Reforms in Taiwan, 1971-73, Center for Chinese Studies, University of Michigan, Ann Arbor, Mi., 1976 and G. Chen, "The Reform Movement among Intellectuals in Taiwan since 1970", Bulletin of Concerned Asian Scholars, vol. 14, No. 3, July-September 1982, pp. 33-34.

(37) C. L. Chiou, "Politics of Alienation and Polarization: Taiwan's Tangwai in the 1980s", Bulletin of Concerned Asian Scholars, vol. 18, No. 3, July-September 1986, pp. 16-28.

over a unitary China is no more than a fiction which has to be given up if the restructuring of the political system is to be conducive to full democracy.

In addition, under the present situation, the President will retain substantial emergency powers and remain in charge of the National Security Council, which coordinates anti-subversion activities, and which opposition says will concentrate now on the independence movement and will be beyond parliamentary control. Moreover, the continued monopoly of television and radio by the ruling party expresses KMT's unfair competition in the political arena. And the current plan maintains indirect presidential elections, and not before 1996, when President Lee Teng-hui's mandate expires (38).

A second task is an adequate management of the economic adjustment, which involves a transition to more capital-intensive activities, made necessary because of higher labor costs, fierce trade competition from newly exporting countries and environmental degradation. But the real trend is towards investment abroad instead of technological upgrading (39). The rising wages and price of land, the stricter pollution controls, the NT\$ appreciation, the abundance of foreign reserves (US\$ 70 billion in 1990), the importance of small and medium-sized enterprises, the will to circumvent western protectionism and the attraction of Third World (and specially mainland China) locations are factors which explain the spurt in outward investment since 1985, which officially reached US\$ 1.2 billion in 1990 and 750 million in

(38) See P. Wickenden, "Taiwan's Bridge to the Mainland", Financial Times, April 30 1991.

(39) "Taiwan's Billions Go Abroad", International Business Week, September 19 1990, pp. 26-30.

January-March 1991, although the real amount is surely several times greater.

As money goes abroad, private domestic investment is dropping (-8.9% in 1990 and -6.5% in the first three months of 1991). Moreover, the relocation of labour-intensive production to China and Southeast Asia is reducing the growth of exports (1.5% in 1990). The trade surplus is shrinking (US\$ 19.0 billion in 1987 and 12.5 billion in 1990). It was down by 26% in January-April 1991, compared with the same period one year earlier. At the end of 1991, the trade deficit with Japan could surpass for the first time the surplus with the US (40).

Another economic challenge is whether the financial needs of the recently approved US\$ 300 billion infrastructure development programme could crowd out the private sector ability to raise funds, specially for technological purposes, as Research and Development spending represented only 1.8% of GNP in 1990.

A third concern is environmental degradation. Taiwan's industrialization has been biased towards the most heavily polluting economic activities (leather tanning, plastics, chemicals, petroleum refining, pesticides, ...). Moreover, no environmental protection legislation was enacted until the 1980s: for instance, the Environmental Protection Administration (EPA) was created in 1987 (41). The rapid demographic and industrial growth (in 1950, there were 7m habitants and 6,000 factories; in 1990, the

(40) P. Wickenden, "Taiwan's Trade Pattern Turns Upside Down", Financial Times, June 4 1991.

(41) See W. Bello and S. Rosenfeld, "Taiwan. The Making of an Environmental Nightmare", in their Dragons in Distress. Asia's Miracle Economies in Crisis, Food First Books, IFDP, San Francisco, Ca., 1990, pp. 195-214.

figures were 20m and 90,000, respectively) has also created environmental problems. The long-time unregulated dumping of industrial, human and animal waste has polluted rivers and degraded the quality of water. Because of the high motor-vehicle density (more than 500 vehicles per square km. and one vehicle for every two persons), the 2m autos and 8m motorcycles exhaust fumes bring about a very poor air quality: in 1989, the government rated Taiwan's air quality unhealthy or very unhealthy an average one day a week, up 50% from 1988 (42).

A fourth task is to solve the labor problems. Since the lifting of martial law in 1987, the labor movement has reawakened (43). First interested in economic demands (as year-end bonuses), the labor movement has tried, in recent years, to undo some heavy inheritances from the past. It has fought to break KMT and management resistance to the creation of legitimate and autonomous trade unions, to protest unfair practices in the workplace and to change government labor policies. Big concerns in the new unions are the reform of labor laws, which place too many conditions on the right to strike and do not contemplate enough sanctions on unfair labor practices, and the end of government's imposition of public order laws on union activities, which have resulted in the prosecution of some union leaders and activists (44).

(42) "The 'Beautiful Island' is Choking on Its Own Wealth", International Business Week, September 17 1990, p. 29 and "Pollution in Taiwan. Filthy Rich", The Economist, July 15 1989, p. 57.

(43) S.-Y. Ho, Taiwan - After a Long Silence. The Emerging New Unions of Taiwan, Asia Monitor Research Center, Hong Kong, 1990.

(44) Asian Labour Update, No. 3, August-October 1990.

Finally, an adequate treatment of welfare issues is urgent. The urban overcrowding, the strained infrastructure, the worsening of income distribution in the 80s (45), ..., are the other side of an ultra-rapid growth, which has neglected the living standards. The plan to revamp the infrastructure, approved in January 1991, is directed not only to stimulate growth but also to expand airports, public housing, transit services, roads, phones and environmental facilities, in order to rise 75% per-capita income (to US\$ 14,000) by the end of the decade (46).

5. SOME LESSONS OF THE SPANISH EXPERIENCE

Spain's political transition has proved to be, in historical perspective, very successful. Despite the enormous handicaps the country dragged in the early seventies (the inheritances of a relatively recent civil war, serious economic problems, acute social and regional unrest, persistent terrorism, ...), Spain managed to carry out a peaceful transition toward democracy without significant social costs.

This successful transition was made possible because of the negotiating will of both government and opposition on broad political issues (as constitutional reform) and even on economic matters. The new Constitution was massively ratified in a 1978 referendum, with the backing of all big parties. In October 1977,

(45) Between 1978 and 1986, the ratio of the highest 20% income group to the lowest 20% grew from 4.18 to 4.60. Source: S. Long, Taiwan to 1993. Politics Versus Prosperity, Special Report No. 1159, The Economist Intelligence Unit, London, 1989, p. 54.

(46) "Rebuilding a Tiger: Who'll get the Lion's Share?", International Business Week, March 25, 1991, pp. 20-22.

an economic agreement (called the "Moncloa Pact") was reached. The unions and the parties of the Left accepted some wage austerity and assured social peace in return of a tax reform and the growth of social and welfare public expenditures. This consensus enabled the government to maintain a steady and solid path towards full democracy and to reduce the economic threats on political stability.

Besides the consensus, Spain's case also highlights that the prolongation of authoritarianism intensified economic difficulties. Before the first free general elections, the government was unable to cope with growing labor and social discontent. Its economic policy was then simply compensatory, trying not to add economic problems to political ones. In the wake of the 1973 oil shock, the authorities decided to transfer only a small part of oil cost increases to the final price of oil by-products. Between 1973 and 1978, the cost of imported oil multiplied by 5.3. In the same period, fuel-oil price augmented only 2.6 times. The use of energy was subventioned and the energy consumption (relative to GDP) increased in Spain while it decreased in other OECD countries. In addition, fiscal and monetary policies were timid and the government lacked a stabilization will. As a result, inflation (40% in mid-1977, on an annual basis) and external deficit (US\$ 5 billion) grew to high proportions until the end of 1977.

Another lesson is that the weakness and internal dissents of the ruling party (the Democratic Center Union) between 1977 and 1982 aggravated the economic problems. The government was unable to initiate an energy policy until 1979 and an industrial policy until 1981, at least five years later than the rest of Europe. This maintained a highly inefficient energy sector and intensified the industrial crisis. Moreover, a military coup was organised in 1981 and, although it was rapidly deactivated, it

clearly expressed the government's weakness and lack of information.

Although the differences between the two cases cannot be overlooked, Taiwan's transition to democracy could get some inspiration from the Spanish process. The importance of political and economic consensus in the path to full democracy and the problems associated to a delayed and extended transition are probably the two main lessons from the spanish political experience.
