

Trade Unions and Privatisation in Taiwan:
A case study of the railway union

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Ph.D. 2008

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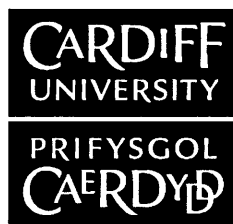
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A Thesis submitted to Cardiff University in
fulfilment of the requirements for the Degree of

Doctor of Philosophy

June 2008



DECLARATION

This work has not previously been accepted in substance for any degree and is not concurrently submitted in candidature for any degree.

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Abstract

This thesis explores Taiwanese privatisation in the context of global neo-liberalisation. It is a study of the relationship between the state, capital and trade unions in relation to privatisation and the policy-making process in Taiwan and the Taiwan Railway in particular. It pays attention to exploring the three dimensions: first, how the state plays its role in the privatisation process; second, what private capital does in order to extend its financial interests; and third, whether trade unions have capacity to shape privatisation policies.

The thesis draws upon extensive fieldwork that took place in Taiwan and the Taiwanese railway industry in particular between May 2005 and November 2007. It documents how Taiwanese public sector unions, dependent on the party-state system, sought to transform themselves into independent unions during the period of privatisation. Using qualitative and participant observation methods, including semi-structured interviews, fieldnote taking, and documentary analysis, this thesis provides, for the first time first-hand, rich, deep, holistic and contextual data on issues that had previously been hidden from public debate. These are discussed and analysed with particular reference to British and former Soviet Union's experience in the context of privatisation.

Although the research was explicitly located in the context of Taiwan and the Taiwan Railway, it is hoped that it has more general significance. Taiwan's experience, until now neglected in debates on privatisation, could extend contemporary debates on the topic especially in relation to the various roles of the state, capital and trade unions. In particular, it raises for discussion the finding that under certain circumstances, instead of being marginalised by privatisation, certain trade unions could gain strong bargaining capacity, weakening the role of the state and private capital, and significantly shaping the policy process.

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Abbreviations

AIM	Alternative investment market
APEC	Asia-Pacific Economic Cooperation
ASLEF	Associated Society of Locomotive Engineers and Firemen
BOFT	Bureau of Foreign Trade, Taiwan
CCP	Chinese Communist Party
CEPD	Council for Economic Planning and Development, Taiwan
CFL	Chinese Federation of Labour, Taiwan
CLA	Council of Labour Affairs, Taiwan
CTWU	Chunghwa Telecom Workers' Union
DEC	Deutsche Eisenbahn-Consulting GmbH (Western Germany Railway Consulting Ltd.)
DfT	Department for Transport, UK
DGBAS	Directorate-General of Budget, Accounting and Statistics, Taiwan
DOT	Department of Transportation, Taiwan Provincial Government
DPP	The Democratic Progressive Party, Taiwan
EBO	Employee-Buy-Out
GATT	The General Agreement on Tariff and Trade
GDP	Gross Domestic Product
HSE	Health & Safety Executive
IMF	International Monetary Fund
IOT	Institute of Transportation, MOTC, Taiwan
JNR	Japanese National Railway
KMT	The Chinese Nationalist Party or Kuomintang
LSL	Labour Standards Law
MOEA	Ministry of Economic Affairs, Taiwan
MOTC	Ministry of Transport and Communications, Taiwan
NCTU	The Department of Transportation Engineering and Management, National Chiao-Tung University, Taiwan
NT\$	New Taiwan Dollar
OECD	Organisation for Economic Co-operation and Development
PRC	People's Republic of China

RMT	Union of Rail, Maritime and Transport Workers, UK
ROC	Republic of China on Taiwan
SMEs	Small and medium sized enterprises
SOEs	State-owned enterprises
TCTU	Taiwan Confederation of Trade Unions
TDF	Train Drivers' Fellowship
THSRC	Taiwan High Speed Railway Company
TMT	Taiwan Motor Transport Co. Ltd.
TOCs	Train operating companies
TRA	Taiwan Railway Administration
TRLU	Taiwan Railway Labour Union
TRWF	Taiwan Railway Workers' Fellowship
TSSA	Transport Salaried Staffs Association
WTO	World Trade Organisation

Part I

Introduction to the Research

Chapter 1

Introduction

1.1 Introduction

Over the past two decades or so, Taiwan has undergone an unprecedented transformation in politics, society and the economy (Hu, 1994a). Politically, Taiwan abandoned the Leninist party-state system and embraced democratisation. The development of political pluralism in line with the lifting of martial law resulted in a change in the ruling party in 2000. The Chinese Nationalist Party (Kuomintang, KMT), which had governed Taiwan since the late 1940s, was replaced by the Democratic Progressive Party (DPP) in 2000. In line with this political development, civil society has been encouraged and has flourished. When referring to the Taiwanese economy, commentators often speak of an economic miracle between the 1960s and 1980s (e.g. Hu, 1994b). The term, the “Taiwan experience”, has frequently been used to describe its experience in politically “quiet revolutions” and successful economic development and strategy (Hu, 1994a; see also Cheng, 1994; Koo, 1994). After 1989, Taiwan embraced neo-liberal economic strategies, adopted, and implemented privatisation.

Privatisation, first initiated by the advanced and liberal democratic countries in the late 1970s and early 1980s, has become a global policy focus. Based on the privatisation experience in advanced countries, this neo-liberal trend was introduced mainly by the International Monetary Fund (IMF) and World Bank through structural adjustment programmes to developing and Third World countries in the 1980s (Tickell and Peck, 2003; see also Korner *et al.*, 1987). This trend continued and was used, primarily by the West, as a “stabilisation programme” to help post-socialist (transition) economies to transform from a centrally planned to a market economy (Borisov and Clarke, 1996; see also Clarke, 1993a; Nellis, 2002). The privatisation trend is

globally ubiquitous, though different countries have diverse considerations and the outcomes of privatisation have varied. However, in Taiwan, the origins and motives for privatisation were neither to implement structural adjustment programmes nor to stabilise political and macroeconomic chaos. On the contrary, when the KMT government deliberately implemented privatisation in the early 1990s, Taiwan's economy was strong and the KMT was still in power. In addition, trade unions, which were often viewed as victims of privatisation policies in liberal democratic countries (Beynon, 2003; Thomas, 1986; Vickers and Yarrow, 1988) or demobilised in transition economies (Clarke, 1993b; see also Borisov *et al.*, 1994), experienced the process differently in Taiwan. Thus, these aspects seem to imply that the Taiwanese privatisation experience was distinctive and should be studied in its own right.

Taiwan's privatisation experience has been largely overlooked by much of the literature. One possible explanation is that in the face of geo-political confrontation with the People's Republic of China (PRC), Taiwan has been excluded from membership of almost all important international organisations, such as the United Nations (UN), the IMF and the World Bank (Lien, 1994). Nevertheless, after decades of "pragmatic diplomacy", Taiwan joined the Asian Development Bank, the Asia-Pacific Economic Cooperation (APEC) and the World Trade Organisation (WTO) (Hu, 1994b). However, as a result of its political isolation, Taiwan's privatisation experience has been outside the mainstream discussion of global neo-liberalisation. Notwithstanding, Taiwan still plays a part in the global neo-liberalisation community, and the state has adopted and implemented privatisation policies.

To understand why the Taiwanese privatisation experience is unusual, it is necessary to look back and examine how the Taiwanese state adopted both the Leninist party-state ruling system and "state capitalism". At the same time, in order to understand the dynamics of Taiwanese trade unionism, we have to look at the forces that have shaped working-class struggle and the way in which they developed capacity to organise against the background of

the party-state structure. Such exploration reveals a complex and, at times, contradictory history.

This chapter's aim therefore is to introduce Taiwan with reference to the political and economic environment as well as the trade union movement and the role played by trade unions. The Leninist party-state system, which defined Taiwanese politics with respect to the economy, society and labour movement, is the focus of this chapter. This serves as an important platform from which to launch the study and to understand modern day Taiwan. Based on this, I will show how the state, capital, and trade unions played different roles in state policy development with reference to privatisation. Such demonstration will also explain why the Taiwanese experience is so interesting and how it contributes to the debate about privatisation and trade unions.

1.2 Privatisation – a global phenomenon

Neo-liberalism involves government sell-offs, fiscal policies, financial and labour market deregulation, trade liberalisation, welfare cutbacks, and so on. It is the most significant and influential worldwide political, economic and social phenomenon during the past three decades or so. As part of this approach, privatisation has become a globally ubiquitous policy, since it was first initiated by the British Conservative government led by Mrs Thatcher in 1979. Before the Thatcher government officially adopted privatisation as a major economic reform policy, a limited number of privatisations had taken place in countries such as Taiwan, Chile, France, Ireland, Italy, and West German between the 1950s and 1970s (Chang, 2002; Chen *et al.*, 1991; Feigenbaum and Henig, 1997; Miller, 1997). However, during the 1980s and 1990s it became a key plank of many governmental policies.

The background to such development centres on the shift from Keynesian economic policies to monetarism (and neo-liberalism). One notable

development was in 1976 when the then British Labour government was forced to seek emergency financial aid from the IMF, conditional upon implementing neo-liberal initiatives, in order to tackle a balance of payments crisis, a collapse in the value of sterling, and seemingly ineffective intervention in financial markets (Tickell and Peck, 2003: 172; see also Harmon, 1997). It has been argued that the 1976 British experience in part heralded the demise of Keynesian economics and also paved the way for the neo-liberal approach of the Thatcher government.

Privatisation as a major neo-liberal, or New Right, state policy, is far from being a monolithic and undifferentiated project throughout the world (Farnham and Horton, 1996; Tickell and Peck, 2003). In the trend towards global neo-liberalisation, even though privatisation is clearly associated with the realisation of the downsizing of nation-states, individual liberties and market forces, it has been adopted and implemented by countries of dissimilar backgrounds at different periods for diverse considerations and interests. The privatisation trend led by Mrs Thatcher subsequently extended into the rest of the world. Although privatisation in advanced liberal democratic countries (e.g. Britain, America and Australia) has led this global phenomenon, experience of it in them represents at most one dimension of the global privatisation trend.

More generally, such development has also laid the foundation for the promotion of neo-liberal policies by the IMF and the World Bank in developing countries, as a necessary precursor to economic reform (Tickell and Peck, 2003). The wide impacts of these policies have been clearly illustrated by Tickell and Peck's research on global neo-liberalisation. In their view, privatisation was initiated as a policy programme reflecting "the geo-economic interests of the global North, it has been forged, adapted and reshaped in a wide variety of global contexts" – from structural adjustment programmes of Third World countries in the 1980s to shock therapy in former communist countries and others whose politics and economy underwent transition in the 1990s (Tickell and Peck, 2003: 164-165).

However, in contrast to the experience of developing and transition countries, the way in which Taiwan promoted privatisation was distinctive. First, Taiwan introduced privatisation type policies in the 1950s, as part of the development of a capitalist economy. For instance, four publicly-owned enterprises¹ were privatised in accordance with The Act of Privatisation of Government-Owned Enterprises of 1953, by the Taiwanese government in the early 1950s in order to complete the government's land reform policy and strengthen and develop the financial market (detailed below). Later, the Taiwanese government adopted and implemented comprehensive privatisation when its economy was growing strongly in the 1980s, as part of its policy to reposition the economy internationally. Taiwanese Gross Domestic Product (GDP) growth rate was 8.23% in 1989, in comparison with 3.54% in the USA, 2.17% in the UK, and 6.08% in South Korea (Department of Investment Services, 2008). As regards the unemployment rate, Taiwan's was 1.57% in 1989, in contrast to that of 5.27% in the USA, 5.99% in the UK, and 2.60% in South Korea (Department of Investment Services, 2008). Both percentage figures (relatively high economic growth rate and low unemployment rate) suggested that the Taiwanese economy was strong and there were no major macroeconomic problems.

Moreover, unlike the transition economies, the Taiwanese political transition from a Leninist authoritarian party-state regime to democratisation was surprisingly peaceful and smooth and did not result in a significant political setback and the collapse of the KMT regime. Although the KMT faced unprecedented challenges, its political environment was relatively stable during the transition period (Hu, 1994a). From this perspective, the adoption of privatisation was certainly not to secure political stability.

Second, despite more than a decade of planning, the Taiwanese government found it difficult to privatise some state-owned enterprises, for instance, railway, petroleum and electricity. Of these cases, the railway case represents

¹ These four government-owned enterprises were the Taiwan Cement Corporation, Taiwan Pulp and Paper Corporation, Taiwan Industrial and Mine Corporation and Taiwan Agricultural and Forestry Development Corporation.

the most unusual example of delay and even withdrawal from the privatisation list. Trade union opposition played an important part in this story. This study reveals the pronounced role of railway workers and their organisation, the Taiwan Railway Labour Union (TRLU), in delaying and shaping policies towards the privatisation of the Railway. This finding is significant and extends the existing debates about privatisation and trade unions.

Third, as I indicated above, Taiwan's privatisation experience has been largely ignored in the mainstream literature. Taiwan, as a developing country as well as a transition economy, was not a member of the IMF or of the World Bank, and thus little data on Taiwan in relation to privatisation statistics and figures can be found in research reports written by these supranational financial agencies. This neglect means that Taiwan's privatisation experience is omitted from the discussion of global neo-liberalism.

To summarise, in many aspects, the Taiwanese experience in privatisation is extraordinary. This experience is highly associated with the administrative structures of the state in Taiwan adopted and implemented by the KMT. Therefore, to understand this experience, it is appropriate to introduce the political context of Taiwan.

1.3 Taiwan

Taiwan was ceded to the Japanese government in 1895, after the government of China was defeated in the Sino-Japanese war. After the Second World War, Taiwan was returned to the Republic of China (ROC) in 1945 as part of the war settlement. However, following the outbreak of the Chinese civil war, Chiang Kai-shek, the leader of the KMT, was defeated by Mao Ze-dong, the leader of the Chinese Communist Party (CCP), and retreated to Taiwan in 1949. Although the KMT was anti-communist, upon defeat, Chiang vowed to

“turn defeat into victory” by adopting many of the CCP’s organisational characteristics and methods. As a result, the KMT became a Leninist type party (Dickson, 1993: 56; Eastman, 1981: 658). The decision to embrace Leninism and reorganise the KMT as a Leninist party in the early 1950s was perhaps the most crucial moment in the political and economic development in Taiwan. It also had major implications for the position of Taiwanese trade unions.

1.3.1 Consolidation of the KMT regime

Although its intention was not supported by the US government, the KMT government sought every opportunity to retake the mainland by force, as it continued to claim sovereignty over the mainland China (Amsden, 1985: 78; Dickson, 1993; Harper, 1987: 394; Wilkinson, 1994: 115). However, at the beginning of its administration in Taiwan, the KMT regime faced political and military challenges and was on the brink of collapse. Apart from the challenges from domestic and overseas native Taiwanese elites and the intelligentsia in political affairs (Chou and Nathan, 1987; Myers, 1994), the defeated KMT remained a focus of the CCP’s military activity, even though the KMT had retreated to Taiwan. Notwithstanding, the KMT regime survived.

A number of crucial factors contributed to the effective consolidation of the KMT’s political power in Taiwan. First, a large number of native Taiwanese elites, regarded as political dissidents by the KMT regime, were persecuted and even murdered in the wake of an island-wide revolt on 28th February 1947 (Lee, 2004). This historical event was known as the 2/28 Incident. In the wake of these political incidents, martial law was promulgated, by which the KMT and state apparatus and the police could effectively administer, supervise and control society at all levels. For this reason, indigenous opposition forces were controlled, repressed and on some occasions forced into exile.

The second reason for the KMT regime's consolidation in Taiwan was support from the United States in the name of anti-communism. During the Korean War in the early 1950s, the US government deployed the Seventh Fleet in the Taiwan Strait to prevent the invasion of Taiwan by the PRC (Dickson, 1993). In addition, in the 1950s, the Americans provided substantial financial as well as military aid to help the KMT government stabilise itself in Taiwan (Dickson, 1993). As a result, military confrontation between the KMT and the CCP, as well as internal tension between the KMT and local Taiwanese, were temporarily eased. The implications of the support from America were twofold. On the one hand, the KMT polity became solidly entrenched in removing the political and economic chaos inherited from the Second World War. On the other, American aid together with increasing trade dependency drew Taiwan into the US capitalist orbit. Some have argued that this economic dependency and the success of export-oriented economic development strategies since the 1960s, both contributed to the flourishing Taiwanese economy (Chang, 2002; Cheng, 1994; Tsai, 2001). The introduction of neo-liberalism, deregulation and an open market strategy, as well as the idea of privatisation, were in part the outcome of Taiwanese trade dependency on the US (Chang, 2002; Tsai, 2001).

Third, it has been argued that the land reform policy introduced by the KMT between the late 1940s and early 1950s played an important role not only in increasing agricultural production and improving people's living conditions and social status, but also in stabilising and easing the tension between the KMT and the local Taiwanese (Chen, 1961; Dickson, 1993; Ho, 1987). The motivations for the land reform policy were partly to alleviate this tension and to strengthen the KMT's administrative authority (Kaohsiung Museum of Labour, 2006). The principal characteristics of the land reform programme were the reduction of land rents, the distribution and sale of public land, the purchase of land from landlords and its resale to peasants, and the land-to-tiller programme (Chen, 1961; Taiwan Year book, 2005). While Taiwanese peasants gained cheap land to engage in agricultural production and generate an income, landlords were financially compensated and

encouraged to develop private businesses (Chen, 1961). It has been argued that because an aim of the land reform policy was to redistribute wealth between rich and poor, this led to fairer income distribution (Ho, 1987; Johnson, 1987; Myers, 1984). Besides, land reform also substantially improved agricultural productivity, provided food for the growing urban populations, as well as increasing funds for industrial development (Chen, 1961; Dickson, 1993; Ouyang, 1994; Sun, 1994). The success of the land reform policy not only reduced conflicts and tensions between the proletariat and the bourgeoisie, and hence politically strengthened the KMT's jurisdiction in Taiwan, it also economically contributed to the Taiwanese industrial reconstruction and economic development.

Finally, in the wake of the political as well as military defeat by the CCP, Chiang Kai-shek learnt lessons and, between 1950 and 1952, reorganised the KMT as a Leninist party in Taiwan. The reorganisation of the KMT guided by Chiang served as a decisive step since it provided the KMT with long-term advantages. There were several reasons why Chiang viewed Leninism as the appropriate model for party reform. In part, it was because Leninism was the legacy of Sun Yat-sen's (the founder of the KMT) ideology, as revealed in the *Three Principles of the People* (*san-min zhu-yi*). It was also partly because the success of the CCP on the Chinese mainland caused him to re-examine the organisational base of the KMT (Chou and Nathan, 1987). However, the most obvious explanation as to why Chiang was particularly in favour of Leninism actually was the advantages offered by this form of party (Dickson, 1993). Reorganising the KMT as a Leninist party together with American assistance successfully prevented the KMT from collapsing. It became entrenched in and then dominated Taiwanese politics, the economy and society for nearly 50 years. Although Chiang was known for his anti-communism stance, he extracted and adopted some important features of Leninist parties, including a centralised decision-making procedure, policy-making and policy-implementing structure, propaganda departments, control of the military, a cadre system and school (Chou and Nathan, 1987). There were six broad goals to this reorganisation:

- (1) make the KMT a revolutionary-democratic party;
- (2) broaden the social base of the Party by including peasants, workers, youths, intellectuals and producers;
- (3) adopt democratic-centralism as the organising principle;
- (4) emphasise Party cells as the basic units of the Party;
- (5) have all decisions made by Party committees, and personnel and other policy matters handled by formal procedures; and
- (6) insist that Party members obey the Party, uphold its policies, and have a proper work style (Hsu, 1986, cited in Dickson, 1993: 65).

In fact, these goals actually became the main features of the KMT, with far-reaching consequences and impacts, including those on the development of trade unionism.

1.3.2 Features of the KMT Leninist party-state system

Chiang established an *ad hoc* party reform committee between 1950 and 1952. He also embarked on a series of party reforms whereby the Leninist party-state ideology, state corporatism and democratic centralism were entrenched and continued in effect until the 1990s. This important political reform, together with legal restrictions, such as martial law, ensured the continuation of an authoritarian regime (Cheng, 1989; Lin, 2002). The Central Standing Committee was the highest decision-making body of the KMT, with the task of directing the state policy-making process through which the guidelines for implementing the policy of Party leadership in terms of politics and the military were developed (*United Daily News*, 08/01/1952: 01; see also Dickson, 1993).

Democratic centralism was the main principle and approach adopted and implemented to complete the Party's decision-making process (Cheng, 1989; Dickson, 1993). Under this principle, "... the individual complies with the organisation; the minority yields to the majority; the lower level yields to the

higher level ...” (Chang, n.d., cited in Dickson, 1993: 69). This guiding principle was also applied to administer and supervise workers and union organisations at the industrial level, and union confederations at the regional and national level. The principle of top-down decision-making and policy-implementation strictly defined and limited the function and role of the trade unions. They could only represent members’ interests, in accordance with the Party’s definition, within the limits of the Leninist party-state system (c.f. Clarke and Fairbrother, 1993a). In addition, under the principle of democratic centralism, trade union organisations were developed and incorporated into the strictly hierarchical monolithic governing structure of the party-state (c.f. Ashwin and Clarke, 2003). In addition, like other Leninist parties, the KMT also restricted horizontal contacts between unions at the local level. Unions could only affiliate upward with the upper union confederations and the union centre, the Chinese Federation of Labour (CFL). Both national and local levels of organisation were under the control of the party-state (c.f. Clarke and Fairbrother, 1993a).

By means of a commissar system, party organs were developed and able to control and penetrate administrative units at various levels of government and the army (Cheng, 1989). In addition, party cells were deeply embedded in the military so that the Party was able to conduct close supervision, maintain repression and control and mobilise the army. Moreover, selective Party members received moral training by way of a cadre system and a cadre school (Dickson, 1993). The creation and maintenance of a cadre force proved essential to the success of the Party’s hegemony (Dickson, 1993: 76). For instance, mass movement cadres, normally the heads of social and labour organisations, were appointed to work with members of those organisations on behalf of the Party. Understandably, the cadres’ main function was to closely supervise and provide direct consultation and assistance to the organisations in which they worked in order to secure smooth policy-implementation and prevent unexpected labour movement activity, including the emergence of an independent organised labour. Under this organisational structure, the KMT effectively and closely linked together the state apparatus, government departments, the society and labour unions. The KMT’s Leninist

party-state system provided an essential platform for the KMT to exert and expand its hegemonic power in Taiwan.

By means of the above, the KMT transformed itself into a Leninist party. Further, as I argued earlier, the KMT regime benefited from such state and legal systems since it was able to successfully consolidate and gain dominant power over politics, the economy and social movement. Such state and legal systems effectively excluded people from participating in political affairs and major economic activities and from organising any form of social movements. Moreover, such exclusion had far-reaching consequences for the subsequent development of politics, the economy, society and trade union movement. In terms of politics, the Taiwanese state had genuinely become a party-state authoritarian dictatorship. Within the party-state apparatus, the state and the Party were linked, interchangeable and inseparable. Moreover, membership of the KMT was the main criterion to serve in government, the army and educational organisations. In other words, the state and the Party had become integrated in aims and in practice.

However, the KMT model of the party-state had at least one structural difference from that of other Leninist party-states, that is, the adoption of capitalist economic principles and practice. The historic origins of this aspect lay, first, with Sun Yat-sen's *Three Principles of the People* — namely, nationalism, democracy, and the people's livelihood. Of the three ruling principles, the people's livelihood was basically a form of "state capitalism" in that it was under the state's planning and regulation (Cheng, 1989; see also Clarke, 1993c). The rationale for state-regulated capitalism was that the state had obligations to secure fair and equal distribution of wealth among the people through the development of private business and industry and to avoid monopoly and over-concentration of private capital (*United Daily News*, 07/08/1952: 2). The nature of state-regulated capitalism in Taiwan was still a form of capitalism (c.f. Burawoy and Krotov, 1993). Nevertheless, the party-state in Taiwan did not abandon the idea of public ownership, which had been emphasised by Leninism. The state effectively controlled and operated some major public sector industries, mainly transport, petroleum, electricity

and telecom, and other strategic industries. Therefore, the KMT, in nature, was regarded as a Leninist type party rooted in capitalism that rested on the state's approach to planning and regulation.

Second, the relationship between the KMT and private capital had developed at a time when the KMT regime was in mainland China and when tension with the CCP was beginning to build up (Coble, 1979). The power of the CCP developed with the support of the proletariat, mainly labourers, farmers and students. Urban capitalists and the bourgeoisie, for example in Shanghai, were driven to form an alliance with a more conservative wing of the KMT to protect their wealth (Coble, 1979). In the wake of the success of the CCP's proletarian revolution in the Chinese mainland, capitalists followed the defeated KMT and retreated to Taiwan. Here, the KMT allowed native bourgeoisie (ex-landlords) to invest in commercial and industrial developments. They were given land bonds in kind and shares in the four privatised government enterprises as compensation (Chen, 1961; *United Daily News*, 26/07/1952: 1; *United Daily News*, 02/02/1953: 3). Encouragement of these economic activities was important for entrenchment of the KMT in Taiwan. The adoption of capitalism distinguished the Taiwanese party-state from other Leninist parties. Capitalism under state regulation could be regarded as a "political safety valve" for the KMT regime in Taiwan, since it dissuaded the bourgeoisie from involvement in political affairs and thus challenging the KMT's hegemony.

However, this type of state capitalism was forced to transform when the KMT regime was incorporated into a US-dominated domain. First, such development centred on an anti-communist military alliance and, later, on international trade relationships. Taiwan's increasing economic dependency on America made it difficult for the KMT government to resist the US government's demand for economic openness and liberalisation. Paradoxically, this gradually induced the transformation of the party-state system to political pluralism and democratisation, which included the development of an independent labour movement.

1.3.3 The party-state's economic power in Taiwan

The KMT government played a dominant and interventionist role in the economy (Deyo, 1989). Such a state-dominated economy and “guided capitalist market” were evident in three respects (White and Wage, 1988: 3). The first was public ownership through nationalisation of various industries, most of which were in the form of monopoly, oligopoly, or franchise (Chen *et al.*, 1991: 64-69). The second was private ownership via regulating and guiding native private capital to invest in state-selective major industries, for instance, car and high-tech industries (Tsai, 2001). In this category, major industries, though privately owned, were highly protected from foreign competition by the state through tariffs and import regulations (Huang, 2002). Some view this industrial development policy as a neo-mercantilist policy (Huang, 2000). The third and remaining economic activities were located in private small and medium sized enterprises (SMEs), which, as mentioned earlier, had been created by the native bourgeoisie under the encouragement of the KMT. These SMEs, which tended to be family-owned businesses and less unionised¹, had relatively more economic freedom and were independent of the party-state, in comparison with the other two categories (Cheng, 1989).

The majority of public sector industries, such as public utilities, transportation, banking, raw materials and manufacturing, were inherited from the Japanese colonisation period. This part of production accounted for half of the national industrial production by the 1950s (Cheng, 1989). A number of public sector enterprises, set up on the mainland, retreated and were re-established along with the KMT to Taiwan. Others were newly established, including manufacturing, steel, shipyard and petrochemicals, during the period of the “Ten Major Construction Projects” (1972-76) and

¹ The Labour Union Law regulates that “An industrial union or a craft union shall be organised [in an organisation where] workers ... exceed the number of thirty” (Article 6). However, the Industry, Commerce and Service Census in Taiwan in 2001 showed that 907,698 companies, equivalent to 97 per cent of the total number of companies in Taiwan at that time, had recruited less than 30 employees in the company (DGBAS, 2001). This suggests that to organise a trade union within these SMEs would have been almost impossible.

the “Six-Year Plan” (1976-81) (Chang, 2002: 50; Tsai, 2001). Officially, there were hundreds of public sector enterprises, whose total turnover in 1989 was 15 per cent of GDP (Chen *et al.*, 1991: 89 and Table 1-1). This figure falls between that of public sector enterprises in advanced capitalist economies (e.g. their total turnover in Britain of 10 per cent of GDP prior to 1979), and that of such enterprises in a selection of sub-Saharan developing countries (their total turnover of 17 per cent of GDP in the early 1980s) (Nellis and Kikeri, 1989: 659). This could in part illustrate the KMT’s two-way developmental strategy in which, economically, the state allowed and encouraged private ownership but at the same time the state also dominated major industries for political purposes. However, if the economic activities controlled by the state were calculated with those controlled by the KMT, the actual turnover of public enterprises was believed to be more than 30 per cent of GDP (Chen *et al.*, 1991: 89-90). Nevertheless, whatever the correct figure, the Taiwanese party-state derived a huge financial advantage from this economic structure.

The party-state’s economic power was extended by the incorporation of key social, political and economic actors in ways described below that prevented them from challenging the Party’s authority, thereby strengthening the Party’s power (Lin, 2002: 2-3). Implementation of state corporatism has been widely recognised as the most prominent control technique, not only over political affairs but also over labour relations (Hsu, 1987: 189-204 and 1989: 107-110; Wang and Fang, 1992: 9-14). One of the major consequences of the party-state corporatism was the emergence of relatively peaceful labour-management relations within industries. Some further argue that in addition to state corporatism, Taiwan’s neo-mercantilist policy provided workers, particularly those who worked in public and the protected enterprises, with secure employment and better working conditions (Huang, 2000). Therefore, orderly industrial relations in this category of enterprises became the norm. Clearly, under these circumstances, peaceful industrial relations became one of the main drivers securing high economic growth in Taiwan between the 1960s and 1980s (Deyo, 1989: 87-105).

In a study of newly developed Asian states, Deyo contends that disciplined and low-cost labour were two important prerequisites for sustaining high economic growth (Deyo, 1987: 182-202 and 1989: 87-105). In Taiwan, repression and incorporation of labour were by: (1) legal regulations brought in from the mainland by the KMT; (2) trade unions fostered and controlled by the KMT; (3) political exclusion at the national level strengthened by martial law; and (4) secure employment and better terms and conditions in the public and protected private sector. These mechanisms served as the foundation to secure a disciplined labour force (Deyo, 1989: 107-109; Huang, 2000: 15). Trade unions, regarded as a Party's administrative organ within industry, played a crucial role in ensuring trouble-free employee-management relations. The state incorporated trade unions and union elites into the party-state structure, creating a form of unionism that was politically subordinate to and dependent on the Party. It has been widely acknowledged that such strategies were the main forms of control of labour (Hsu, 1987; Koo, 1987; Pan, 2006; Wang, 1996; Wang and Fang, 1992). The result was the development of dependent trade unionism.

In short, under the KMT, a Leninist party-state system in association with state controlled capitalism was effectively developed. Taiwan thus became a particular state form combining state control and a capitalist form of economic expansion. The KMT regime represented the interests of the bourgeoisie; this newly evolved middle class supported the KMT regime. At the same time, the majority of workers who benefited from state capitalism and a neo-mercantilist policy were unwilling to oppose the authoritarian party-state; or, perhaps more accurately, were unable to organise independent of the state. This distinctive corporatist approach together with the principle of democratic centralism had profound implications for the development of trade unionism.

In one sense, Taiwanese dependent trade unionism had similarities with the Soviet Union. However, in the wake of implementing privatisation as a state reform policy and the collapse of the party-state regime, the transformation path and experience of trade unionism in the two countries appears to be very

different. While trade unions in Taiwan developed and transformed in independent ways, official unions in the Soviet system merely shifted from the Party to rely on enterprise management (Clarke and Fairbrother, 1993a). Although independent unions had emerged in competition with official unions in the wake of the transition to a market economy in Russia, their functions, roles and representativeness were largely limited and restricted and tended to be ignored by management (Clarke *et al.*, 1993; Borisov *et al.*, 1994). In contrast however, labour in Taiwan sought to transform the official unions from within. The way in which Taiwanese independent workers challenged the union leadership (which had been controlled by the party-state) is impressive and has far-reaching consequences for the permanent entrenchment of independent trade unionism in Taiwan. This thesis documents this undocumented Taiwanese experience.

1.4 Structure of the thesis

Central to this thesis is the research on the Taiwan Railway as a case study, with particular reference to the British experience of privatisation and Russian trade unionism in the context of privatisation. The aim of this research is to explore the issue of privatisation in Taiwan and the relationship between privatisation and the main actors of the privatisation process, particularly trade unions. For these reasons, this thesis is divided into four parts. The first part sets out to present the background for this research. Chapter 2 reviews two sets of literature. The first focuses on privatisation as a global phenomenon, which Tickell and Peck (2003) describe as a key feature of global neo-liberalisation. Three categories of privatisation, namely, in developed countries, developing countries and transition economies, are discussed. These discussions will consider the role of the state and capital in the process of privatisation. The second set of literature comprises an examination of trade unions in both liberal democratic countries, particularly the UK and Australia, and in post-communist countries, mainly Russia, with

reference to privatisation. In the end of Chapter 2, general research questions will be identified.

Chapter 3 provides a history of Taiwanese trade unionism. It starts by exploring the features of Taiwanese trade unions in the Leninist type party-state system. Taiwan adopted a particular type of state development strategy in which Leninist party-state political control and capitalist economic expansion were both embedded. Against the backdrop of this particular development background, dependent trade unionism and 'cosy' industrial relations were the norm. However, when the party-state regime was challenged and Taiwan gradually embraced democratic practices, an organised labour and independent labour movement emerged to represent workers' interests and challenge the union leadership through union election. The trend towards an independent labour movement mainly appeared in public enterprises and then became a national phenomenon. In this chapter, I argue that since the late 1980s privatisation has played an important part in providing the opportunity for trade unions to become independent from the state and the party. In the end of this chapter, I formulate four Research Questions pertaining to Taiwan based on the discussions.

Chapter 4 first explains how this research was carried out. The data on which this thesis is based was obtained from extensive fieldwork which commenced since 2005. It was collected primarily from semi-structured interviews conducted with trade unions officials, government officials, legislators, railway managers and employees. Moreover, on-site observation and participation were also utilised. In addition, detailed documentary analysis of reports and related material on pertinent issues was also undertaken. In this chapter, I consider the issue of gaining access to study participants and the question of involvement as an insider and detachment as an outsider during the fieldwork.

In Part II, the research begins to consider privatisation and Taiwanese trade unions. Chapter 5 studies the relationship between policy choices of public sector trade unions and bargaining capacity in the context of privatisation. I

first investigate the origins of and motives for privatisation in Taiwan. I then examine how Taiwanese public sector trade unions responded to privatisation proposals. The research reveals that public sector trade unions' attitudes towards privatisation varied. Some unions chose to oppose it, while others did not. In order to analyse this phenomenon, I present an analytical framework, based on the Taiwanese government's rationale for privatisation, and illustrate the relationship between choice of union policy and changes in bargaining capacity in the privatisation context. The research suggests that the different economic contexts of these firms in which trade unions operated were not only linked to the way in which public sector trade unions chose to respond to privatisation but also associated with the changes in union bargaining capacity. Of significance, this last point draws attention to the history of the way unions organise and operate. Thus, although structural analysis is applied, this research does not ignore other explanatory aspects, particularly union leadership, organisational capacity, and its impact on union bargaining capacity.

This leads to Part III of the thesis which addresses privatisation of the Taiwan Railway and the railway union. Chapter 6 documents the history of the Taiwan Railway and the proposal for privatising this public sector. I analyse the reasons why the government attempted to privatise the Taiwan Railway. Modelled on Britain and influenced by private capital, the government proposed "separation" of railway infrastructure and train operations. However, the "separation" scheme was withdrawn and replaced by that of the "integration", mainly due to opposition from the railway union.

In the following chapters, I discuss the sources of railway union power and activism. Chapters 7, 8 and 9 explain why the railway union was able to successfully challenge and influence the privatisation policy. Chapter 7 examines how the Taiwan Railway Labour Union (TRLU) was established and what forces propelled moves towards an independent form of unionism. This chapter focuses on the issue of the emergence of the TRLU (as a party-state political instrument) and its transformation. A workers' group, the Taiwan Railway Workers' Fellowship (TRWF), was established outside the

official TRLU by autonomous railway workers for the purpose of challenging the union leadership and transforming the official union into a worker-led one. The way in which railway workers rebelled had crucial sociological implications for the union and its activity within the industry.

Chapter 8 introduces another independent railway workers' group, the Train Drivers' Fellowship (TDF), and shows how this fellowship played on sectional interests in the railway industry. Further, this chapter documents how train drivers made best use of their distinctive role between the railway management and the TRLU in order to secure train drivers' sectional interests. Although sectionalism has had negative impacts on the contemporary TRLU's practices and actions, the two groups in fact need assistance from each other in order to sustain their bargaining capacity. For this reason, the TRLU still maintains a good relationship with the TDF and retains a critical role in terms of negotiation with the government on many issues.

Chapter 9 discloses a distinctive relationship between railway managers and the TRLU in the context of privatisation. Railway managers and the TRLU formed a tacit alliance in order to oppose privatisation of the Taiwan Railway. Railway managers, as the "state management", could not express their opinions and concerns against the government's privatisation policy for the Taiwan Railway. While railway managers had provided the TRLU with some necessary support when confronting the government, the TRLU began to speak on behalf of managers and negotiate with the government on the privatisation issue. This cross-class collaboration is sociologically important for the future development of the industry.

Finally, in Part IV, the analysis is drawn together. In Chapter 10, I assess the issues and arguments discussed in the empirical chapters. In particular, the role of the state, capital and trade unions in the privatisation process of the Taiwan Railway is assessed and evaluated in detail. I further consider the implications of findings derived from this study and suggest further research directions.

Chapter 2

Privatisation and the State, Capital and Trade Unions

2.1 Introduction

In the wake of the pervasive global economic crisis, unprecedented since the Second World War, Keynesian economics, once predominant, came under severe criticism. During the 1970s, neo-liberalism with its emphasis on monetarist programmes, liberalisation of prices, free market competition and the minimal role and functions of the state, was gradually proposed by many governments. Privatisation is one of the most important dimensions of neo-liberalism approaches to governance. Strongly associated with Mrs Thatcher, privatisation focuses on the sale of government assets, fiscal policies and the deregulation of financial and labour markets. The aim is to address the negative impacts that supposedly result from Keynesian policies.

The origins of privatisation policies are complex. One strand of argument points to the difficulties faced by the British Labour Government during the macroeconomic crisis of the mid-1970s, including IMF financial aid. With the election of the Thatcher government in 1979 and the Regan administration in 1980, Keynesian economics was rejected. These beginnings of neo-liberal policies encouraged the IMF and other international financial agencies to promote privatisation and related measures elsewhere, where economies were on the brink of collapse and hence required different economic policies (Tickell and Peck, 2003). Generally speaking, apart from privatisation in developed countries, there has been a much wider impact of these policies, illustrated clearly by Tickell and Peck's research on global neo-liberalisation (Tickell and Peck, 2003). In their research, Tickell and Peck identify a policy programme advancing the capitalist power of the

global North. Privatisation has been part of a raft of policies that have reshaped and reconstructed economies to fit the policy into a wider global context, ranging from structural adjustment programmes of developing countries in the 1980s to shock therapy in former communist countries in the 1990s (Tickell and Peck, 2003: 164-165).

The role of the state, capital and trade unions is seen to be significant in the global neo-liberalisation context (see Fairbrother and Rainnie, 2006). States throughout the world have been extensively restructured and reorganised (Fairbrother *et al.*, 2002). States have pursued policies of redrawing boundaries and disengaging from the organisation and ownership of government businesses. This has taken the form of deliberate restructuring in the developed Anglo-American state (e.g. Britain, America, Australia and New Zealand) (Fairbrother *et al.*, 2002; Kelsey, 1995; Veljanovski, 1987), or externally encouraged privatisation as those in developing countries and transition economies (Fischer, 1992; Nellis, 2002). In contrast with developed and capitalist countries, privatisation in both developing countries and transition economies has been a policy imposed mainly by international forces, in the form of financial aid. The provision of aid was conditioned upon the implementation of economic restructuring, mainly in the form of deregulation, liberalisation and privatisation. Under the influence and intervention of supranational financial agencies, these countries have had little option but to adapt to this force and implement privatisation and related policies.

These developments in relation to privatisation and the role of the state and capital draw attention to the role of labour and trade unions which is also significant in the global neo-liberalisation context. In liberal democratic countries, and transition economies, the role and functions of trade unions differ (Ashwin, 2004; Ashwin and Clarke, 2003; Barton and Fairbrother, 2007; Clarke *et al.*, 1993; Fairbrother, 2000; Fairbrother *et al.*, 2002). In liberal democratic countries, trade unionism indeed has been shaped by privatisation. Some trade unions have certainly been victimised as they experienced a significant decline in union density. Further, some have argued

that privatisation stimulated the decentralisation of bargaining (Fairbrother, 1994a and 1994b; Fairbrother and Testi, 2002; Foster and Scott, 1998). Such developments led trade unions to renew themselves during the aftermath of privatisation, for example, railway unions in the British privatised railway industry, and Australian unions in the privatised transport and electricity sectors (Arrowsmith, 2003; Barton and Fairbrother, 2007; see also Fairbrother and Yates, 2002).

In contrast however, in transition economies, like Russia, trade unions adopted a rather different path. Instead of confronting privatisation, Soviet trade unions chose to accept and adapt to privatisation. Such a response was part of embracing democratisation and seeking the disintegration of the power of the party-state, breaking the administrative-command system and thereby becoming “proper” trade unions (Clarke *et al.*, 1993; Clarke and Fairbrother, 1994). To form a “social partnership” with enterprise management is the way in which Soviet trade unions sought to survive and maintain their limited role and distributive functions in the post-privatisation era (Ashwin and Clarke, 2003; Clarke *et al.*, 1993).

In order to discuss the role of the state, capital and trade unions in the neo-liberalisation context, this chapter first reviews the literature in relation to privatisation in developed countries, developing countries, and transition economies. Based on this review, the role of the state and capital in the context of privatisation will be examined. This chapter will then consider the role of trade unions in liberal democratic countries, particularly in Britain and Australia, and in transition economies, particularly in Russia. Based on the literature review and discussions, the general research questions will be identified.

2.2 The state and capital in the privatisation process

Privatisation as a global phenomenon has not only been implemented in developed countries but also in developing countries and transition economies. However, different forms of states have diverse considerations and goals. While some states have implemented it as the way in which states relocate their roles in their economies, others have had little option but to adopt it as a requirement for securing the involvement of capital and the support of supranational financial agencies for economic reconstruction and development. Accordingly, the state and capital seem to play different but interrelated roles in the privatisation process.

2.2.1 Privatisation in developed countries

It is widely believed that privatisation in Britain was “a policy which was adopted almost by accident, but has become politically central; a policy which has no clear-cut objectives, but has become almost an end in itself” (Bishop and Kay, 1988: 1). When Mrs Thatcher came to office in 1979, the idea of, not the term “privatisation”, was proposed to tackle British economic malaise. As stated in the 1979 Conservative Party’s election manifesto:

To master inflation, proper monetary discipline is essential, with publicly stated targets for the rate of growth of the money supply. At the same time, a gradual reduction in the size of the Government’s borrowing requirement is also vital... All the controls [done by the Labour Government] have achieved is a loss of jobs and a reduction in consumer choice... The State takes too much of the nation’s income; its share must be steadily reduced... We will scrap expensive Socialist programmes... [and] reduce government intervention in industry... The reduction of waste, bureaucracy and over-government will also yield substantial savings. We shall cut income tax at all levels to reward hard work, responsibility and success; tackle the poverty trap; encourage saving and the wider ownership of property (Conservative Party, 1979).

In the face of economic hardships and market failures attributed to the failure of the Keynesian demand management approach, Mrs Thatcher committed herself to two sets of policies. On the one hand, Thatcher proposed monetarist approaches, including controlling the money supply, reducing public expenditure and cutting income tax, as an economic panacea to tackle the British economic problems. On the other hand, she pursued public sector reform through liberalisation and free-market competition as a solution for dealing with the supposed inefficiencies of the public sector. Initially, privatisation was mainly implemented in some small public sector enterprises, which already operated in competitive markets, and in the sale of publicly owned council houses (Bishop and Kay, 1989; Vickers and Yarrow, 1988). However, these monetarist approaches were limited and further slowed down British economic development (Feigenbaum and Henig, 1997). Large-scale privatisation programmes were then placed at the policy forefront (Feigenbaum and Henig, 1997; Wolfe, 1989).

From her second term of office from 1983 onwards, privatisation became a major driver inspiring the Thatcher government in many aspects. The unexpected popularity of the sale of the shares in British Telecom in 1984 raised a total of nearly £4 billion, six times larger than any previous issue on the UK stock market (Bishop and Kay, 1989: 647). The prospect of immediate financial gain through privatisation largely fulfilled the Thatcher government's intention to reduce public expenditure and the public sector borrowing requirement (Beaumont, 1992; Heald, 1984; Heald and Steel, 1986; Marsh, 1991; Ramanadham, 1988; Stevens, 2004; in contrast, see Brittan, 1984: 113). The success of the sale of the shares in British Telecom was followed by the sale of shares in British Gas in December 1986, British Airways in February 1987, Rolls Royce in May 1987, and the British Airports Authority in July 1987, generating proceeds of nearly £9 billion in total (Bishop and Kay, 1989: 647-648). Parallel to conversion of state enterprises through the sale of shares was privatisation through the sale of state assets. Compared with the former privatisation scheme, the latter tended to be small in terms of proceeds, such as British Steel, British Shipbuilders and British Rail (Bishop and Kay, 1989: 647-648). In one sense, gaining

income through the sale of public assets or shares could be politically more acceptable to the electorate than reducing public expenditure (Abromeit, 1988; Brittan, 1984). This economic achievement later drove Mrs Thatcher to re-orient privatisation as an electoral policy (Stevens, 2004: 56).

The second crucial inspiration for the Thatcher government was to achieve increasing efficiency through a change in ownership from public to private. This brought to the forefront the importance of the privatisation programme. The shift, from the rhetoric of liberalisation and competition to ownership, clearly indicated that privatisation programmes had become ideologically driven political strategies (Feigenbaum and Henig, 1997; Jackson and Price, 1994).

In developing the privatisation policy, it has been argued that the Thatcher government had tactical as well as systemic considerations, of which there were two major aspects. First, it has been argued by economists and others that market competition is the key to the success of increasing efficiency, rather than a change in ownership (Abromeit, 1988; Bishop and Kay, 1989; Vickers and Yarrow, 1988; Yarrow, 1986). However, during the second term of the Thatcher government, the emphasis on increasing efficiency through open-market competition shifted to that of a change in ownership. Pursuing open market competition was played down as a means of increasing efficiency (Bishop and Kay, 1989). The Thatcher government repeatedly advised that an increase in market competition might generate negative impacts on raising more money from privatisation. The sale of the whole would yield more than the sum of the sale of the parts, though the latter might not always be true (Bishop and Kay, 1989: 651). In addition, during the process of large-scale privatisation, senior managers of public sector monopolies, such as British Gas, the Central Electricity Generating Board and British Airways and others, argued for privatisation of their businesses as intact entities (Bishop and Kay, 1989: 651). This further justified the government's ideology in terms of pursuing efficiency through a change in ownership.

Second, the pursuit of large-scale privatisation through either the sale of shares or the disposal of assets provided the government with opportunities to transfer public resources to favoured interest groups and to win over votes from those who were in traditional Labour constituencies. In other words, privatisation was translated into electoral gains for the Conservative Party (Stevens, 2004). The political popularity of privatisation emerged following the success of privatising British Telecom and others. As John Moore stated in July 1984:

As we dispose of state-owned assets, so more and more people have the opportunity to become owners... So these policies also increase personal independence and freedom, and by establishing a new breed of owners, have an important effect on attitudes. They tend to break down the divisions between owners and earners... (cited in Abromeit, 1988: 71).

The idea of broadening share ownership later lay at the heart of the Conservative Party election manifesto in 1987. The idea was the pursuit of “popular capitalism” and “wider share ownership” (Conservative Party, 1987). Research on constituencies’ voting attitudes and behaviour showed that privatisation had had a positive effect on those voters who had benefited from the programme of popular capitalism and wider share ownership (Marsh, 1991). For instance, a MORI opinion poll, conducted in Britain in March 1986 among those whose purchase of British Telecom shares was their first share purchase, showed that 53 per cent had voted Conservative, while only 14 per cent had voted Labour (Veljanovski, 1987: 68-69). In addition, the British Election Study data between 1979 and 1987 suggested that there had been a major swing to the Conservative Party between 1979 and 1983 among those who had bought their council houses and a smaller swing to the Conservatives between 1983 and 1987 among those who had bought shares (Crewe, 1989, Table 13). The evidence that privatisation could lead to electoral benefits was therefore significant.

However, it has been argued that the way in which the Conservative government achieved the goal of broadening share ownership was through underpricing the selling objects (Abromeit, 1988; Stevens, 2004). Bishop and

Kay commented that “in pricing issues the government had been ready to sacrifice revenue to secure wider share ownership” (Bishop and Kay, 1989: 650). For example, people who purchased the shares of Amersham, and then sold them on, immediately gained 35 per cent higher proceeds than the price paid (Stevens, 2004: 57). The same scenario was observed in other privatisations, including British Telecom, council houses and British Rail (Bishop and Kay, 1989: 647).

It can be argued that underpricing of the selling objects might have had two significant political implications. First, it could have drawn more people, attracted by an immediate financial gain, into privatisation. In this way, underpricing almost guaranteed the success of privatisation, and created a situation where the beneficiaries of privatisation would be more likely to vote Conservative. Second, privatisation by its very nature is a policy that rests on the involvement of private capital. Therefore, in order to fulfil its political goal of wider share ownership, the Conservative government was more likely to set the price of shares or assets below their market value to draw in private capital and resources. This phenomenon seems to suggest that private capital plays a role that governments consider when privatisation is in process. Specifically, it could be contended that, based on the British experience, the success of privatisation seems to depend on whether the government could formulate and design a favourable policy and prices that would attract private capital. The account that the government and private capital play an interrelated role in the process of privatisation has been demonstrated in my earlier study on the privatisation of British Rail. The political purpose of Thatcher’s privatisation programmes was so significant and influential that Nigel Lawson commented: “between 1984 and 1987 privatisation as a valuable electoral policy became the Thatcherite ‘jewel in the crown’” (cited in Stevens, 2004: 58).

It has also been asserted that the political objective of popular capitalism and wider share ownership is also to reduce public sector trade union power (Suleiman and Waterbury, 1990: 13). The intention of implementing privatisation to weaken trade union power could be on the one hand, tactical

and, on the other, systemic. Privatisation has been viewed as a long-term political strategy to minimise the power of organised labour, particularly that in state-owned enterprises (Feigenbaum and Henig, 1997). The sources and use of public sector trade union power in the context of Keynesian policies in Britain has been widely addressed and examined by various authors (Beaumont, 1992; Clegg, 1976; Ferner, 1988; Freeman, 1986; Hanson, 1991; Longstreth, 1988; Pendleton, 1993). In line with the implementation of privatisation, the Thatcher government had the intention to weaken public sector trade union power (believed to be the main cause leading to wage and labour market rigidities and the rise in public expenditure) by introducing market competition mechanisms and revitalising managerial prerogatives (Marsh, 1991; Moore, 1986). The political intention of implementing privatisation to restrict trade union power was another political milestone for the Thatcher government (Miller, 1997; Foster and Scott, 1998; Flynn, 2001).

From the above, it is apparent that privatisation as a state policy was pursued for political as well as economic reasons. Economically, the British government initiated privatisation programmes to increase efficiency and competition, and to cut the public sector borrowing requirement by disengaging the state from public enterprises. Politically, the Conservative government not only intended to enlarge its electoral base by pursuing wider share ownership and popular capitalism. Capital was involved in the privatisation process to realise the goals of these policies and also to diminish trade union power.

2.2.2 Privatisation in developing countries

The rest of the world, particularly developing countries, began to implement privatisation policies at the behest of the supranational financial agencies. The World Bank reported in 2005: “120 developing countries carried out 7,860 transactions between 1990 and 2003, generating close to [US]\$410 billion in privatisation proceeds, or 0.5 percent of total developing country

GDP during that period” (Kikeri and Kolo, 2005: 3-4). According to this report, this trend is distinct and pervasive.

Privatisation has not only been put into practice in developed countries but also adopted and implemented in developing countries. Developing countries constitute the second category of this global privatisation trend from the 1980s onwards. Privatisation has been introduced in developing countries primarily as part of structural adjustment programmes aimed at dealing with domestic fiscal and financial crises, mainly generated by the supposed failures of public sector management (Van de Walle, 1989). Such countries were primarily composed of developing and post-colonial countries, including sub-Saharan Africa, Latin America, the Caribbean and parts of Asia (World Bank Annual Report, 1996). Although these countries may have different considerations and problems, it is widely believed that a pervasive dissatisfaction with the failure of the state and the financial and managerial performance of the public sector as well as the consideration of economic stabilisation were at the heart of the promotion of privatisation to policy makers in these settings by powerful supranational financial agencies (Van de Walle, 1989: 602).

Supranational financial agencies and donor institutions, particularly the IMF and World Bank, have been driven by the view that the privatisation policy should be introduced in developing countries (Nellis, 2002). As part of structural adjustment programmes, these supranational financial institutions agreed to provide loans, investments, aid, consultations and other technical supports conditioned upon the design and implementation of a certain set of reforms to help these countries out of fiscal crises (Bienen and Waterbury, 1989). Privatisation in developing countries, such as Egypt, Tanzania, Mexico and others, has been imposed and driven by these supranational financial creditors. In some countries, such as Peru, Turkey, India, Algeria and others, structural adjustment programmes have been partly propelled by internal recognitions of the failures of public sector enterprises (Bienen and Waterbury, 1989: 619 and 623; Suleiman and Waterbury, 1990: 5).

It is contended that, of all structural adjustment programmes, privatisation is broadly regarded as a policy of last resort by states where deficits and debts have grown beyond their control (Suleiman and Waterbury, 1990: 5). Additionally, problems of government intervention and market failure were regarded as more serious in developing countries than in developed countries (Nellis and Kikeri, 1989). Specifically, the adoption of privatisation in developing countries has been promoted by the supranational capitalist agencies essentially for pragmatic purposes to reform the public sector, to reduce deficits generated by state enterprises, to respond to the need for fiscal austerity, and to reduce government intervention in the economy (Bienen and Waterbury, 1989; Kelsey, 1995; Miller, 1997). Although in one sense, deficit and inflation reduction has been a major economic goal pursued by both developed and developing countries through privatisation, the latter typically have higher and more serious problems of debts and deficits than the former (Bienen and Waterbury, 1989: 619).

In contrast to privatisation in their developed counterparts however, the intention of increasing competition and efficiency has not been a policy priority. Developing countries have been far more troubled by financial losses and fiscal considerations (Van de Walle, 1989; Nellis and Kikeri, 1989). However, that is not to say that increasing efficiency and competition have not been goals pursued by developing countries. The World Bank in fact recognised that the need and scope for improved efficiency in developing countries was much greater than that in leading OECD countries (Nellis, 2002: 3). In view of endemic problems in developing countries, Bank staff became convinced that privatisation was the solution (Nellis, 2002). The major impetus for the divestiture of public enterprises was to cut government expenditures and to help restore budgetary balance. In other words, fiscal and public finance considerations were used to justify the adoption and implementation of privatisation in developing countries.

To summarise, in contrast to developed countries, privatisation policies in developing countries tended to be more concerned about the immediate economic malaise, namely, fiscal and financial crises. States of this kind

found themselves trapped in economic hardship which they couldn't escape. They sought external help, mainly from supranational financial agencies, and this help was contingent upon the introduction of structural adjustment programmes. This provided the impetus driving developing countries to embark on the rapid divestiture of state enterprises. In other words, states in developing countries in many instances lacked the capacity to deal with economic problems they faced. They were forced to accept the intervention of supranational capital in the form of financial aid, linked to the implementation of neo-liberal programmes. Central to this was privatisation.

2.2.3 Privatisation in transition economies

Along with this global trend, privatisation has also been introduced in former communist countries. In the wake of the collapse of communist regimes, the political and economic structures of post-communist countries, including the former Soviet Union, and Central and Eastern Europe¹, underwent transition. They have begun to implement reform strategies as part of a move towards democratisation. The aim has been to re-stabilise economies and politics disrupted by the collapse and disintegration of the administrative-command system of the party-state (Ashwin and Clarke, 2003; Clarke *et al.*, 1993; Nellis and Kikeri, 1989). Privatisation was also imposed and propelled, mainly by Western governments and other supranational financial agencies (Fischer, 1992; Nellis, 2002). For instance, in the face of economic and political crises, Russian “new democrats” led by Boris Yeltsin sought to align the Russian economy and political arrangement rapidly with the world economy. Democratisation by means of privatisation together with price liberalisation and fiscal and financial stabilisation helped create a favourable environment for attracting domestic as well as foreign investment to revive

¹ China was also seeking to transform its market structure, from a central planning to a market economy. I will not discuss the Chinese case here because unlike its Eastern European counterparts its communist regime remains in power (c.f. Fischer, 1993; Clarke, 2005).

the Russian economy and restore the political system (Ashwin and Clarke, 2003).

Typically, transition economies suffered from both growth crises and macroeconomic disequilibrium in which a large budget deficit, high inflation and balance of payments difficulties were pervasive and serious (Fischer and Frenkel, 1992: 37). In the face of these problems, the IMF, the World Bank and Western governments in particular, intervened in these transition economies. This was done via the provision of loans and humanitarian aid, conditioned upon reform strategies: macroeconomic stabilisation; liberalisation on trade and prices; convertibility of the currency; the creation of a social safety net; and privatisation (Fischer, 1992 and 1993; Fischer and Frenkel, 1992).

In contrast to developing countries, the West, mainly represented by the US and Western European countries, promoted strategic political and economic interests in relation to the transition economies, particularly those of the former Soviet bloc (Kim and Yelkina, 2003). Maintaining the pace and direction of political and economic reforms in these transition economies was certainly in the interests of the West (Fischer, 1992: 107). There were two aspects to their interests. First, in the face of the collapse of communist regimes, Western governments worried that nuclear weapons, held by some of these transition economies, particularly those in the former Soviet bloc, could end up in the wrong hands, with catastrophic consequences (Morz, 1992). The assumption was that privatisation policies would help these transition economies settle and stabilise their politics and economy and introduce democracy as quickly as possible. Privatisation, promoted by the West as part of the condition for the provision of financial aid, was seen by some as having a positive effect in helping the post-communist countries to consolidate in democratic directions, as well as in laying the foundation for liberal capitalist economies (Cui, 1997).

Second, Western governments also had a geo-strategic interest in these transition economies (Morz, 1992). Preventing the collapse of the economy

in them could avoid the possibility of civil war or large-scale westward emigration that would quickly overwhelm the Western economies (Morz, 1992: 45). Therefore, the adoption and implementation of privatisation in transition economies was not only promoted by the IMF and World Bank, but also by Western governments to meet their particular regional and defence interests.

The scale and pace of privatisation in transition economies was globally as well as historically unprecedented when compared with that in developed and developing countries. During the first half of the 1990s, more than 50,000 medium- and large-scale state enterprises were privatised in transition economies. Hundreds of thousands of small-scale public sector enterprises were also transferred into private hands during the same period, for instance, over 75,000 in Russia, 35,000 in Ukraine and 22,000 in the Czech Republic, (Nellis, 1996, cited in Kaufmann and Siegelbaum, 1997: 419). Big-bang or shock therapy is the term used interchangeably to describe this mass privatisation approach in these transition economies (Clarke *et al.*, 1993; Fischer, 1992; Feltenstein and Nsouli, 2003). The reason why the scale and pace of privatisation in transition economies was so extensive was mainly because both enterprise management and trade unions welcomed this reform strategy, although for different reasons. While Soviet management regarded privatisation as a way in which they could profit from the disintegration of the administrative-command system and regain their managerial autonomy, trade unions viewed privatisation as a lifeline towards true workers' collective organisation independent of the state (Ashwin and Clarke, 2003; Clarke *et al.*, 1993). Although privatisation in some transition economies, particularly Russia, was not successful, partly because of corruption (Kaufmann and Siegelbaum, 1997; Nellis, 1999), it has been argued that without privatisation, these transition economies would not have been able to survive bankruptcy and social chaos (Kaufmann and Siegelbaum, 1997: 421; see also Nellis, 1999).

To summarise, post-communist countries in political, economic and social transition represented the third wave of the global privatisation trend. A

sudden collapse of communist regimes forced these countries to implement quick reform strategies to stabilise their economies and to restore the social and political orders. In furtherance of their interests, the West, therefore, desperately provided all sorts of immediate assistance to these transition economies through loans and humanitarian aid conditioned upon adopting economic reform strategies and political democracy. Against this international background, the scale and pace of privatisation in transition countries was extensive and unprecedented.

2.3 Privatisation and trade unions

When assessing the impacts of privatisation in relation to the changing patterns of work and employment under the pressure of shifting ownership from the public to private sector, it is important to consider the role of trade unions. In general, one feature of the liberal democratic state is the state's imposition of rules, regulations and restrictions upon social relations and trade unionism in the name of the "national interest" (Hyman, 1975: 145). The power of individual workers is not sufficiently strong to influence work and employment relations, or to resist the supremacy of the state and capital. For this reason, workers look to trade unions to enlarge their bargaining powers to acquire better working conditions and pay. However, due to conflicting interests between trade unions and the state and capital, the structure and institutions of industrial relations are often contested and unstable (Hyman, 1975).

The role and functions of trade union are in many senses polarised between liberal democratic countries and the communist world. As a result, the impacts and implications that privatisation has had on and for trade unions are also different. In liberal democratic societies, trade unions have tended to be more or less regarded as victims in the process of privatisation (Fairbrother and Testi 2002; Tickell and Peck, 2003). As a consequence, many trade unions in liberal democratic countries have sought to renew

themselves during the post-privatisation period (Fairbrother, 2000). In contrast however, trade unions in transition economies have shown different attitudes towards privatisation. After decades of repression and incorporation, trade unions in transition economies, particularly those in Russia, tended to be in favour of privatisation as the way in which they could restore their role and functions (Clarke *et al.*, 1993). These two sides to the debate will be discussed by looking at trade unions in liberal democratic countries, mainly Britain, and transition economies, primarily Russia, in the following two sections.

2.3.1 Liberal democratic countries

As we have argued above, one of the fundamental political concerns of the British Conservative government was to curb the public sector union power (Beynon, 2003; Bishop and Kay, 1988; Domberger and Piggott, 1994; Ferner, 1988; Foster and Scott, 1998; Hurl, 1992; Jackson and Price, 1994; Marsh, 1991; Moore, 1986). In order to understand this, I will briefly review the literature in relation to the relationship between trade unions and government policy-making.

When talking about labour markets and industrial relations in the context of privatisation, the literature tends to focus on the following three topics: (1) privatisation as an approach to deal with labour market rigidity in the public sector resulting from the excessive power of the trade unions (e.g. Bishop and Kay, 1988; Ferner, 1988; Marsh, 1991; Moore, 1986; Vickers and Yarrow, 1988); (2) comparative research on industrial relations before and after privatisation (Arrowsmith, 2003; Pendleton, 1991a, 1991b, 1994 and 1999; Pendleton and Winterton, 1993); and (3) trade unions' renewal after privatisation (e.g. Fairbrother, 2000 and 2002; Barton and Fairbrother, 2007).

The role of the state is to provide and structure the framework of the national economy, particularly in areas where the private sector is less likely to offer

assistance due to profitability considerations (Ferner, 1988). During the post-war era, it is clear that the state was expected to intervene in economic activities to ensure the provision of adequate and basic social requirements. The Keynesian idea of the social welfare state largely prevailed at that time. The consequence of this approach was that a number of basic and strategic industries were nationalised (Allington, 1995; Ferner, 1988).

Public sector objectives are numerous, intangible and contradictory in part because they are subject to direct guidance and control by governments. In addition, public sector managements and operations are defined and highly restricted by formal rules, regulations, reporting requirements and more rigid hierarchical arrangements, and their performance is monitored (Beaumont, 1992: 8-11; Ferner, 1988: 29). The corollary is that market information and commercial incentives are often absent in the public sector. These factors had far-reaching consequences for the development of the labour movement and trade unionism which is now the focus of attention.

Public sector trade unions had long enjoyed a high membership density. Broadly speaking, the higher the union density the stronger is union bargaining capacity in the sector (Fairbrother, 2002, Chapter 3; Foster and Scott, 1998). Clegg (1976: 23-27) identifies four reasons for high union density in the public sector. First, public sector employment is concentrated in a relatively small number of individual large-sized undertakings. Second, the bureaucratic operations and decision-making processes are generally found in public sector organisations and trade unions are thus recognised as part of this process. Third, the bureaucratic operations and employment conditions in the public sector are less likely to be altered because of the individual occasion. Public sector bureaucrats therefore favour the formal collective bargaining mechanism with trade unions. Fourth, public sector senior managers, responsible to elected local authorities and their committees, may feel a need to join trade unions in order to seek collective protection against bureaucratisation of the public sector.

One further crucial reason which may have contributed to high union density and power is that the British government historically adopted a position, as an employer of labour, of actively encouraging its employees to become union members (Beaumont, 1992: 47). This was mainly driven by government legislation, which required public sector management to recognise and consult the trade union (Moore, 1986; Thomas, 1986; Pendleton and Winterton, 1993). According to Ferner (1988), the reason why the government legally granted public sector trade unions political recognition was because of considerations of short-term political interests. Since products and services provided by the public sector are of vital necessity to the national economy and public requirement, interruption of such activities may result in industrial disputes, a politically sensitive issue. Therefore, for short-term political interests, the government would intervene in industrial relations “to avoid the politically damaging disruption of vital public services” (Ferner, 1988: 42-43).

The political and economic features of the public sector are often associated with trade unions’ exclusive and powerful representative status and legal protection. Under these circumstances, Freeman (1986: 44) argues that it would be very tempting for unions to influence work and employment decision-making, as well as wage negotiation through the collective bargaining system. As a consequence, trade unions could force up wages unrelated to organisational performance, and be in a position to thwart changes designed to raise labour productivity (Pendleton and Winterton, 1993; Marsh, 1991). In British Rail, for instance, the “cosy” relationship between railway unions and railway management was widely viewed as “restrictive practices” since it impeded operational efficiency (Pendleton, 1993: 46). Since the government, represented by public sector management, officially recognised trade unions and intervened to avoid industrial disputes, the close relationship between trade unions and management became a characteristic of the post-war arrangement. Nevertheless, this post-war arrangement came to an end when the British economy deteriorated and when the government began to restrict union practices and power (Ferner, 1988; Howell, 2005).

Thatcher was elected with a commitment to restrict the excessive power of public sector trade unions. Privatisation was a very powerful anti-union weapon (Wiltshire, 1988). As argued above, one of the Thatcher government's main political strategies was to systemically relocate the conventional bargaining arrangement between trade unions and management. As a result, managerial prerogative was backed by the government, while the role of trade unions was restricted. Liberalisation and open-market competition were believed to be the main ingredients to fulfil these goals. In view of their negative effect on the terms and conditions of union members, trade unions attempted to attack privatisation policies (Lord McCarthy of Headington, 1988). However, throughout British privatisation history, no union has successfully countered the privatisation trend (Thomas, 1986: 299). As a consequence, in many aspects, privatisation successfully weakened trade union power by transforming centralised (national) into decentralised (local) bargaining arrangements and implementing new managerial practices, such as human resource management and performance related pay (Foster and Scott, 1998; Flynn, 2001).

Nevertheless, it has been argued that paradoxically, for some unions, privatisation seemed to have laid the foundation for them to open up space to renew and rebuild (Fairbrother, 2000 and 2002; Barton and Fairbrother, 2007). Indeed, some trade unions were successful in renewing themselves during the aftermath of privatisation. For instance, research shows that many trade unions remained well organised with the capacity to disrupt the production of the privatised enterprises (e.g. Arrowsmith, 2003). This situation was not only seen in Britain but also in other liberal democratic countries. For example, in their research on the privatisation of the energy and transport sectors in Australia, Barton and Fairbrother (2007) indicate that trade unions in these two sectors took crucial steps to meet the challenges of privatisation. They attempted to renew and rebuild their structures and even strengthen their capacity to challenge the new private oligopolies. Accordingly, it could be contended that trade unions in liberal democratic countries attempted to challenge privatisation for their future. However,

when they were defeated in the battle against privatisation, they then shifted their focus and sought to preserve and sustain their roles and capacity within the changing social relations of production in the privatised enterprises.

2.3.2 The Soviet system

In contrast to liberal democratic countries, Russian trade unions demonstrated a rather different developing and survival strategy in the face of privatisation (Ashwin and Clarke, 2003; Borisov *et al.*, 1994; Clarke *et al.*, 1993). Soviet trade unions gave support, whatever active or passive, to privatisation in the wake of the collapse of the party-state and the disintegration of the administrative-command system (Clarke *et al.*, 1993). In view of this unusual union strategy, at least two questions arise: why did the Soviet trade unions choose not to oppose privatisation? What did privatisation mean to the Soviet trade unions, management and the state? In order to answer these questions, we need first to consider the relationship between the Soviet trade unions, enterprise management and the state.

The objective of traditional Soviet trade unionism was to act as an organ of the party and the state, a school of communism and a transmission belt between the Communist Party and the masses (Clarke *et al.*, 1993). The growing “statisation” of the official trade unions unavoidably required the leadership of trade unions to be subordinated to the Party and incorporated into the state apparatus (Ashwin and Clarke, 2003). Besides, under the principle of democratic centralism, official trade unions were established along hierarchical lines and were subordinated to the Communist Party (Clarke *et al.*, 1993). The official trade unions were required to play a role in imposing labour discipline, to mobilise workers in support of the party and state apparatus, and to dissuade workers from challenging the party-state authority (Clarke *et al.*, 1993). The incorporation of trade unions into the state apparatus inevitably made the unions hierarchically as well as functionally dependent on the state.

Moreover, under the leadership of Stalin, Soviet official trade unions at the enterprise level acquired the important roles of not only imposing a rigorous labour discipline but also stimulating productivity growth through the provision of material and moral incentives (Ashwin, 2004; Clarke *et al.*, 1993). Within enterprises, the official trade unions were commonly identified with the Communist Party and enterprise management, performing their welfare and distributive functions to provide a “paternalist reinforcement of their authority” (Borisov *et al.*, 1994: 17). Their distributive role and functions were so prominent that even the Deputy Director of an official Russian trade union federation (the Federation of Independent Trade Unions of Russia, FNPR) claimed that “the unions were not trade unions at all, but the social and welfare department of the central committee of the [Communist Party of the Soviet Union]” (cited in Borisov *et al.*, 1994: 17).

Under the Soviet system, social and welfare resources were in the hands of enterprise management. For this reason, after the collapse of communism, while the official trade unions declared their independence of the state, they actually developed more intimate links with management at the enterprise level (Ashwin, 2004; Clarke *et al.*, 1993). Therefore, while it was a major claim in the West that the “dual functions” of the Soviet trade unions were to represent their members and the party-state (Ruble, 1981), based on their research, Clarke and others (1993) suggest that this duality of function was not a feature of the Soviet trade unions. Rather, they were actually supportive of the enterprise administration, on the one hand, and the functions for the party-state on the other. From this perspective, Clarke and others (1993: 93) explain why the Soviet official trade unions did not collapse in line with the disintegration of the party-state system. As “an arm of the enterprise administration”, the Soviet official trade unions were actually strengthened during the transition process (see also Borisov *et al.*, 1994).

This cross-class alliance between trade unions and enterprise management is ideologically identified as the programme of “social partnership” (Clarke and Fairbrother, 1993b: 192). It is argued that the formation of a social

partnership with management was more for the consideration of the sustainability of the Soviet trade unions than for defending members' interests during transition and maintaining social peace during the post-communist era (Ashwin and Clarke, 2003; Ashwin, 2004). The research by Clarke and others (1993) also provides an account of why privatisation did not face significant opposition from the Soviet trade unions and labour collectives. As previously mentioned, the decision to move from a centrally planned to a market economy was externally imposed by supranational financial agencies as well as the West. Internally, however, there were more complex elements. When Gorbachev's Perestroika was underway, the political pendulum began to swing to the right. More people, particularly the new democrats and liberal intelligentsia under the leadership of Yeltsin, had a strong belief that the future of Russia rests on the connection of its economy with the world economy. By implementing neo-liberal policies, including the rapid privatisation programme, they facilitated the disintegration of the conservative forces and the old guard which had been trying to hold on to the levers of the bureaucrat power and to revive the traditional means of control, i.e. the administrative-command system (Ashwin and Clarke, 2003). As a result of intrinsic support from both the unions and enterprise management and extrinsic agreement with the supranational financial agencies and the West, Yeltsin came to power with his commitment to introduce a programme to accelerate the transition to capitalism (Clarke *et al.*, 1993).

Since the labour collective and the Soviet trade unions had long been incorporated within and repressed by the administrative-command system, they tactically chose to support Yeltsin's neo-liberal policies and, in particular, the mass privatisation programme. Enterprise managements declared their independence and showed their "spontaneous" support for Yeltsin's reform programme of transition to a market economy (Clarke *et al.*, 1993). Spontaneous privatisation with the support of enterprise management could therefore be regarded as the main reason why the pace and scale of the Russian privatisation were extensive and massive.

However, the Soviet official trade unions and the alternative trade unions had different reasons for their shared support of privatisation policies. Despite their occasionally confrontational rhetoric, the official unions actually showed more support than opposition to the Yeltsin government and his reform programme of the transition to a market economy. Clarke and Fairbrother (1993b: 185) argue that this was mainly because the official unions sought to retain governmental patronage on which their legal and property rights had been dependent. Within enterprises, in order to keep traditional welfare and distributive functions in house, the official trade unions chose to collude with management as they believed this would serve the best interests of their members as well as maintain their own institutional position (Clarke and Fairbrother, 1993a). The development of an intimate relationship between the official trade unions and management unavoidably resulted in a situation in which the official trade unions showed no opposition to the privatisation programme of the Yeltsin government (Clarke and Fairbrother, 1993b).

In contrast with the official unions, the alternative trade unions were small in terms of membership, which unavoidably became a barrier when they came to confront and compete with the official unions. Generally, the official unions enjoyed extensive management support, commanded a pervasive patronage network, and provided a wide range of social and welfare benefits (Clarke and Fairbrother, 1993c: 158). Thus, the alternative trade unions supported the privatisation programme because they were aware that they had little option but to attach to political forces in play within the struggles within the ruling stratum (Clarke and Fairbrother, 1993d: 143). The Yeltsin regime and neo-liberals were the major and perhaps the only political forces on which the alternative trade unions could focus their ambitions. The alternative trade unions gave their support to Yeltsin, who in return offered them, at least in the beginning, political recognition. Although their expectations were never realised, the alternative unions attempted to exploit privatisation as the way in which they could become “proper” trade unions, by drawing a clear boundary between owners as managers and wage-labourers (Clarke and Fairbrother, 1993b: 196).

In short, the Soviet trade unions chose distinct paths and developing strategies in the face of the privatisation programme. The collapse of the party-state did not fundamentally change the social relations of production, and the Soviet trade unions came to depend more on management which controlled resources. This had a decisive impact on the way in which the Soviet official trade unions chose to respond to privatisation. The Soviet trade unions supported privatisation as the way in which they could revive their role and functions as unions to represent and defend the majority of workers' interests. Although they survived in the wake of the collapse of the party-state and the mass privatisation programme, it was at the cost of many who, mainly female and auxiliary workers, experienced redundancies and cuts in benefits and wages (Clarke *et al.*, 1993). Nevertheless, in the face of the transition to a market economy, the Soviet trade unions still endeavoured to hold on to their traditional welfare and distributive role and functions for fear of losing power and authority as workers' representatives within enterprises.

Although an aim of the alternative trade unions was developed with a strong intention in part of breaking through this web of traditional defects and weaknesses, they had little capacity to achieve their goals. The fact is that the alternative trade unions gradually lost out to the official trade unions. These official unions had significant competitive advantages in terms of membership, organisation and resources. Commenting on trade unions in general, Ashwin and Clarke (2003) argue that whether official or alternative, trade unions established a "social partnership" with enterprise management in order to survive and to maintain their power, authority, institution and organisation intact within enterprises (see also Ashwin, 2004).

2.4 Conclusion

This chapter has shown how the three actors – the state, capital and trade unions – played their roles in the privatisation process. Privatisation is a global phenomenon in which the state and capital play interrelated but decisive roles. In this context, trade unions have been important points of reference in the development of policies and have experienced a range of outcomes. These themes have been drawn together in a consideration of trade unionism in liberal democratic countries, mainly in Britain, and in transition economies, primarily in Russia.

First, in the context of the global privatisation trend, the state, particularly in developing countries and transition economies, was encouraged to adopt and implement privatisation policies as a result of external pressure, for example, from supranational financial agencies. The state in these types of countries often faced a deep fiscal crisis. The main reason why privatisation was introduced into these countries was via structural adjustment programmes of the IMF and World Bank. Western governments, also played a key role in promoting these policies to protect their own interests. Therefore, developing countries and transition economies adopted and implemented privatisation as a condition for receiving loans, investments and aid to stabilise political and economic chaos and to encourage a move towards the democratisation of political structures and stabilisation as capitalist economies.

Second, capital played different roles in various types of countries. A great deal of the literature in the UK has criticised the technique of underpricing (e.g. Bishop and Kay, 1989). The British Rail experience revealed that underpricing was used to draw the attention of private capital and promote its involvement in privatisation. This phenomenon clearly illustrated that, in essence, privatisation is a policy that requires the involvement and participation of private capital. Based on the British experience, the success of privatisation seems to depend on whether the government can formulate and design a favourable policy and prices that could attract private capital

into the privatisation process. That the government and private capital play an interrelated role in the privatisation process is clearly demonstrated in the British Rail privatisation experience.

However, experience in developing countries and transition economies suggests that supranational financial agencies providing financial aid to stabilise economic and political chaos, played a role in pressurising these countries to embrace neo-liberal policies and privatisation. Given their poor endemic conditions, these countries had little option but to adopt and implement privatisation.

The last actor in the privatisation process is the trade unions. However, in the global neo-liberal context, the discussions of trade unions have usually been limited. Yet, trade unionism and the way in which trade unions chose to respond to privatisation is diverse depending on the type of political economies in question. The British experience showed that one of the main political reasons for implementing privatisation was to restrict trade union power. Privatisation policies were so successful in this regard that the mainstream literature in relation to privatisation and trade unions largely focuses on discussing how privatisation weakened trade union power and how trade unions adopted particular strategies to revive themselves in the post-privatisation era.

However, trade unions in post-communist Russia took a rather different approach. Soviet trade unions, whether official or alternative, generally showed little opposition to the government's privatisation programme. Since the collapse of the party-state system did not fundamentally change the social relations of production, the Soviet trade unions hence developed a social partnership with enterprise management primarily to secure their future within enterprises. Adoption of privatisation therefore became a means to help the Soviet trade unions to survive the challenges resulting from the transition to a market economy.

The above considerations suggest three broad research questions. First, the consideration of the state in promoting privatisation policies prompts the question: What happens to privatisation programmes when states in developing/transition economies are not impelled by economic uncertainty? Second, is capital always a major player in the development of privatisation programmes? Third, what are the conditions for trade union opposition or support for privatisation?

These questions are general and require further refinement in relation to the specific circumstances of Taiwan. In the next chapter, a history of the state and trade unions in Taiwan is presented, as the first step in considering the development of privatisation policies and their implications for trade unions.

Chapter 3

Trade Unionism and the State in Taiwan

3.1 Introduction

Having reviewed the literature in relation to the role of the state, capital and trade unions in the global privatisation context, the next task is to focus on Taiwan. The aim is to explore how privatisation policies have impacted on trade unionism in the country. There are two reasons for focusing on Taiwan. The first reason is because the debates about privatisation which began in the late 1980s are still ongoing. Second, Taiwan, as a developing economy with a distinctive political history, provides an appropriate case to explore the themes raised by the debates about global privatisation.

The literature on Taiwan between the 1960s and 1980s usually focuses on how political repression and corporatist type industrial relations directly resulted in its remarkable economic achievement (e.g. Amsden, 1985; Deyo, 1989; Koo, 1987). The focus of the literature then shifts to how the party-state system restricted labour movements and the impacts the collapse of the party-state system has had on political and economic development as well as independent labour movements since the 1980s (e.g. Kleingartner and Peng, 1991: 431; see also Hsu, 1989; Lin, 2002; Pan, 2006; Wang, 1993 and 1996). This chapter applies a political-economic approach to examine the role of the Taiwanese model of the party-state system in the context of trade unionism development. The Taiwanese state, like other countries which adopted the Leninist party-state philosophy, exerted political power through the control of the military to exclude people from political participation and to repress those who attempted to challenge the party-state's hegemony. However, the Taiwanese party-state, under the leadership of the Chinese Nationalist Party (the Kuomintang, KMT), developed a distinct party-state system and adopted a capitalist type of economic expansion. This capitalism was encouraged

under the Taiwanese party-state system. This had significant implications for the development of dependent trade unionism in Taiwan and its transformation.

As in other Asian countries (China, Indonesia, Malaysia, the Philippines, Singapore, and South Korea), Taiwanese trade unions spent a long period under state political surveillance and repression in the name of national stability and economic development (Gall, 1998: 359-376). Whereas in the public sector, trade unions developed under the party-state's direct supervision, in the private sector, where they existed, trade unions were dependent upon the sponsorship of employers. In both cases, trade unions did not exist as agencies to defend members' interests against exploitation by capitalists or to confront the state as employer. Rather, they existed politically to serve the party-state and to act as "an arm of the administration" (Harper, 1969: 92; Lin, 2002: 4; Koo, 1987: 174; Lee, 1988: 194). They were in effect a "transmission belt" between the Party and the masses (c.f. Clarke, 2005: 2-18; Lenin, 1977). Ashwin and Clarke (2003) even comment that the organisational structure, functions and authority of Leninist trade unionism were highly associated with and depended on the party-state. Within industries, they were there to economically help employers improve labour productivity and to take on the responsibility of providing social and welfare programmes. In other words, trade unions developed at the discretion of the party-state as well as capitalists in order to ensure peaceful industrial relations and to avoid the emergence of organised labour. No independent union movement or collective labour activity was observed in Taiwan until the late 1980s (Huang, 2002; in contrast to Soviet trade unions, see Clarke and Fairbrother, 1993a). Unlike independent and free trade unionism in liberal democratic countries, dependent trade unionism was much more common in countries, like Taiwan, where the party-state system prevailed.

From the 1980s onwards, however, the dominant role of the Taiwanese party-state declined. Under external pressure (mainly from America) and internal pressure (from political dissidents and organised elite), the Taiwanese party-state was forced to transform. Its traditional interventionist

role was gradually replaced by neo-liberal practices. This political transformation process opened up an opportunity for dependent trade unions to transform into independent ones and such unions gradually took on an agency role to represent workers' interests and to resist capitalist exploitation. Although much of the literature about Taiwanese trade unionism tends to argue that independent trade unions in Taiwan still have their limitations in relation to organisational strength and capacity to mobilise, a legacy of party-state control (Huang, 1997 and 2002). The problem with this line of analysis is that it largely focuses on the confederation and not the affiliate unions. In contrast, I argue that some trade unions have been successful in developing their capacity to resist public policies at the enterprise and industrial level. The key point to note is that many of these unions are located in the public sector. The methodological implication is that it is necessary to study the history and place of individual unions as well as the confederation.

The Taiwanese party-state system has been described in Chapter 1. This chapter therefore aims to illustrate the development of trade unionism in Taiwan. Taiwanese trade unionism was established under state sponsorship through which trade unions developed a dependent and subordinate role. They were not there to defend members' interests but to serve the party-state for political purposes. However, their subservient role was transformed in line with the emergence of a number of decisive developments in the 1980s. Of these elements, privatisation policies were crucial to the transformation of trade unionism from dependent to independent. For this reason, the chapter begins with a brief analysis of the origin and development of privatisation policies in Taiwan. This is then followed by a history of trade unionism showing how trade unions were initially promoted by the party-state. Subsequently, they then developed into independent unions, at least in the public sector.

3.2 An overview of privatisation policies in Taiwan

In 1989, the KMT government announced its intention to privatise sections of the public sector. The shift to a neo-liberal ideology appeared to be incompatible with the KMT's philosophy that the state should play a dominant role in the economy. However, the KMT was beginning to look to a future where its dominant role in the economy could no longer rely on state ownership.

This policy initiative was partly a response to US pressure to liberalise the economy. The US government's influence on Taiwanese economic liberalisation may be regarded as one of the most powerful and direct external drivers. As previously indicated, the KMT government benefited from American financial and military aid between the 1950s and 1960s. From the 1960s onwards, the US government became the KMT's most important trade partner (Directorate General of Customs, 2007). Given this intimate economic relationship, the US took the opportunity to push Taiwanese economic policies towards more liberalisation and less regulation. For example, the *Nineteen-Point Economic Reform Programme* announced in the early 1960s, and the *National Economic Reform and Development Commission* in 1985 were responses to pressure from the US in relation to liberalisation of price and the lifting of protectionist measures. Such transition signalled the upcoming privatisation policy. Moreover, apart from the pressure from the US, the KMT government also intended to position the economy in an international context in the 1980s. However, to become a signatory to GATT (The General Agreement on Tariff and Trade, later placed under the World Trade Organisation, WTO), the Taiwanese government had to adjust its economic policies by reducing tariff barriers and subsidies and making its domestic markets more open. Such economic reforms indirectly reduced the state's dominant role in the economy. It has also been argued that granting more economic freedom enabled industries to compete effectively with international counterparts (BOFT, 2002). The requirements imposed on Taiwan to become a member of the WTO served as

another external force to move the KMT government into the privatisation scenario.

Inside Taiwan, some internal and more direct forces served as drivers for the government to consider privatisation. The operational performance of the public sector had long been criticised by economists (Chen *et al.*, 1991). At a meeting of the *National Economic Reform and Development Commission* held at the national level in 1985, proponents strongly criticised state-owned enterprises' performance and expressed the view that privatisation would resolve this problem (Chang, 2002: 61). In the meantime, the emergence of labour movements in the late 1980s, mainly for economic considerations both in the public and private sector, had begun to alarm the ruling party. However, as will be shown, it is reasonable to assume that the problem of labour disputes was not the main reason for privatisation implementation in Taiwan.

Political elements played a more significant role in the implementation of privatisation. As one Taiwanese researcher comments as follows:

[in terms of motives for implementing privatisation], the striking difference between Taiwan and Britain or the post-socialist countries was that the introduction of the privatisation policy was neither driven by the change of the ruling party nor chosen by the KMT as an election manifesto to attract votes. The actual reason was to use the privatisation policy to pass its decreasing supreme power over to capitalists who supported the KMT regime (Chang, 2002: 71)

The opposition party, the DPP, strongly supported privatisation as a means of breaking the economic and political linkages between the public sector and the party-state. This linkage had been gradually weakening with the emergence of the labour movement since the 1980s. Inside the KMT, the mainstream faction, under the leadership of the first native Taiwanese President, Teng-hui Lee, secretly formed an alliance with the DPP. This was an attempt to marginalise the old guard and conservative forces in the country. The privatisation policy, core to the agreement between Mr. Lee and the DPP, became a means to achieve this political goal (Chang, 2002: 72-73).

Since the motives for implementation of privatisation were deeply rooted in short-term political considerations, labour issues, at least in the beginning, were largely ignored by policy-makers (Chang, 2002: 107-109). In the wake of the emergence of independent public sector unions from the late 1980s onwards, the majority seemed not to have been alarmed by the privatisation policy, though some unions' firms were already on the privatisation list (Chang, 2002: 139). As a result, workers' rights and benefits were largely ignored in the early stage of privatisation¹. In fact, it was argued that the privatisation policy resulted in job losses and poorer working conditions in Taiwan, but profited capitalists involved in this process (Taiwan Labour Front, 1999). Alarmed by a number of privatisation cases that caused poorer working conditions and even redundancies, some public sector unions due to pressure from their members began opposing government policy through coalition and consolidation with each other. Although most of the union coalitions were short-lived because of no formal recognition from the state, the importance of such union activities should not be overlooked, since they were important contributory elements in the developing trajectory towards independent trade unionism.

This brief history suggests that while the pattern of trade unionism was not one of the key concerns of the Taiwanese government in developing privatisation policies, for unions it was an important and worrying development. To appreciate the importance of these policies for the development of trade unionism in Taiwan, it is necessary to review the history of trade unionism, with particular reference to the public sector.

¹ In 1994, privatisations of China Petrochemical Development Co. and BES Engineering Co. were the most significant cases in this regard (Taiwan Labour Front, 1999: 44-82).

3.3 State-sponsored trade unionism

Taiwanese trade unions are divided into two major categories: industrial/enterprise unions and craft unions. The only role of craft unions in Taiwan has been to operate as an agency of labour health insurance for its members, which has little to do with defending and representing members' interests (Ho, 2006; Huang, 2002). Further, trade unions in the public sector have been more vibrant than those in the private sector, mainly because public sector workers have had better employment security than those in the private sector. Accordingly, the discussion of trade unionism in this thesis focuses only on public sector industrial/enterprise unions.

The "Taiwan experience" of economic development was seen as a model to be copied by other developing countries (Evans, 1987: 203-26; Hu, 1994b). Between the 1960s and 1980s, Taiwan's outstanding economic development, which annually averaged 9.21 per cent growth rate together with low unemployment, mild inflation and income equality, earned it the title "economic miracle" (Amsden, 1979 and 1985: 79). Nevertheless, as argued above, the KMT's national development strategy was not at first initiated for economic development but for its own political purposes. The shift of attention to economic development came because of further considerations. First, the KMT in the 1960s was aware that American aid could be withdrawn at any time and that would cause a political as well as economic setback to the KMT's authority.

Second, its stated mission of retaking mainland China had diminished with the entrenchment of the CCP regime. The KMT decided to redirect its political attention in part to economic development as a long-term strategy for sustaining its power. The most crucial aspect of its economic development strategy was the introduction of export-oriented industrialisation as a replacement for the agrarian industry and import-substitution strategy (Hu, 1994a and 1994b). This alteration of Taiwanese economic strategy in the late 1960s was so successful that the country from

that time onwards gradually became a capital and labour intensive and export-oriented industrialised country attracting large amounts of foreign direct investment which, in turn, became one of the drivers for economic growth. The development of export-oriented industrialisation was in part based on a sufficient supply of disciplined and low-cost labour.

Sustaining competitive advantage based on labour conditions became crucial for securing continuous economic growth. A range of political, social and cultural factors contributed to the KMT's success in organising and maintaining a peaceful and compliant labour force. A great deal of the literature has documented this experience and attributed the success to the effectiveness of the authoritarian party-state and its corporatist technique in maintaining a stable supply of disciplined and low-cost labour, as a main source for market competitiveness (Amsden, 1985; Deyo, 1989; Koo, 1987), although some provide alternative viewpoints (e.g. Huang, 2000). Repression and incorporation became the stick and carrot for labour. The party-state intervened to control labour conditions and the labour market in the name of economic development and national as well as social stability. This form of labour control was mainly achieved through trade unions, dependent on the state and employers.

At the social level, the KMT required employers to establish trade unions within firms and requested those unions to focus on providing and managing members' social and welfare programmes (Deyo, 1989; Wilkinson, 1994). Some have described this mechanism as "state-mandated enterprise paternalism" by which the state attempted to pre-empt any form of labour conflict at the enterprise level and, most importantly, to restrict trade union functions, ruling out collective bargaining (Deyo, 1989: 134). In addition, the KMT-state also shared economic growth with workers by improving working conditions and standards of living. Throughout this period, Taiwan had a low unemployment rate, which was combined with an increase in real income and a fairer income distribution, one aim being to limit the possibility of labour unrest (Harper, 1987).

At the cultural level, Taiwan, like its Asian counterparts, has also been influenced by Confucian philosophy which emphasises adherence to hierarchy, cooperation, patriarchy, and individual subordination to the state and society. The effect of Confucianism appears to have counter-acted possible rebellion by workers and encouraged industrial, social and national stability, progress and development. Although some have argued that Confucian philosophy should be viewed as playing only a minor role in this respect (e.g. Deyo, 1989: 88-89), much of the literature still stresses the importance of this cultural heritage, superimposed on labour relations (e.g. Lin, 1997: 56-67; Wilkinson, 1994: 141). As a consequence of the aforementioned factors, no significant strike or labour conflict was recorded until the enactment of the Labour Standards Law and the lifting of martial law in the 1980s (Deyo, 1989: 3; Harper, 1987: 395; Huang, 2000).

As well as the decision to move towards a Leninist party-state system, made at an *ad hoc* party reform committee in the early 1950s, the KMT established a number of principles in relation to labour control. First, under the guideline of democratic centralism, all party branches had to adhere to policy made by the Central Standing Committee of the KMT; second, the party would lead labour and its organisations through party members and party branches; and third, trade unions had to adhere to the party's leadership (KMT, 1951, cited in Lin, 2002: 27). The KMT implemented its labour control approach through trade union organisations following several important labour relations principles. First, the Party encouraged trade unions within industries (to which membership was compulsory); second, trade unions were established under the leadership of party members and branches; third, the Party provided clear and direct guidance for trade union affairs (KMT, 1951, cited in Lin, 2002: 33). Only under the Party's tutelage did the KMT support the development of trade union organisations (Hsu, 1989).

The idea behind this surveillance structure was to pre-empt any union activity that might be unacceptable to the party-state (Wang and Fang, 1992: 9-14). While the KMT, on the one hand, recognised labour rights based on the Labour Union Law, on the other hand, those rights were withdrawn under

martial law. Further, by widely deploying party cells and a large number of loyal party core members within industries, the KMT had the capacity to control and repress any labour collective movement (Wang and Fang, 1992: 9-14). Moreover, under the principle of democratic centralism, trade unions did not have horizontal linkage with their union counterparts but were required to affiliate upward with the upper union confederations and the only union centre, the Chinese Federation of Labour (CFL). However, this is not to say that the party-state exerted its control of labour through the state-sponsored union confederations. In fact, these organisations, including the CFL, lacked capability and power to articulate working class interests and discipline their affiliate unions (Huang, 2002: 312). Control of labour and trade unions actually rested in the hands of the party-state.

In short, before lifting martial law in 1987, the Party effectively initiated labour policies which constructed a highly regulated control structure and environment for labour and its organisations. This was again achieved through direct guidance, intervention, and leadership and based on Sun Yat-sen's *Three Principles of the People*. According to Sun, the state should play a role of supporting the formation of trade unions and of providing social and welfare programmes for workers through labour union institutions (Kleingartner and Peng, 1991: 430; Pan, 2006: 2-3). Hence, the KMT integrated labour unions into the state apparatus and made trade unions a part of Party organs to help promote government policy.

As a result of the functional, structural and legal confinement of trade unions by the KMT, union leaders in Taiwan looked less to members for financial support and policy suggestion than to government and employers (Kleingartner and Peng, 1991: 434). In addition, being a KMT member was a precondition for nomination as an official union candidate in union elections. Being a KMT nominee, by that time, almost guaranteed election. Further, upward mobility to higher union posts or granting political interests were the most common means to incorporate and win over unionists to the KMT's leadership (Lin, 2002; see also Hsu, 1987 and 1989). One researcher who long observed Taiwanese trade unionism, noted:

... the union movement was politically oriented [towards the] party because union leaders were attracted by the KMT's incentives that union leaders could become political figures someday as long as they collaborated with the KMT ... (Pan, 2006: 4).

It was due to the highly regulated and interventionist relationship between the KMT and union officials that Taiwanese trade unions became dependent on and subordinate to the party-state. Under this dependency relationship, the unions became an arm of government administration and the transmission belt between the Party and their members. As a consequence, although the KMT did not adopt a hostile attitude towards the trade unions, and even openly supported them, the role and agency of the unions were largely limited. Their role was neither to defend members' interests nor to represent members' grievances in confrontation with employers, but to mobilise members to serve the party-state (Pan, 2006). Economically, trade unions existed to provide social, welfare, health and educational programmes for workers within firms (Harper, 1987: 395; Lin, 1997: 56-60; Wilkinson, 1994: 144-148). The aim was to promote economic and industrial development, and to help employers improve productivity.

This union dependency situation may be demonstrated by considering a number of union cases. The Chinese Federation of Labour (CFL), established by the KMT in 1948 in Nanjing, mainland China, was the only legally approved national union confederation authorised by the Labour Union Law. It functioned at the national, regional and local level and included diverse groupings of industrial, company and craft unions (Lin, 1997: 56). All trade unions, including public sector unions – ports, post, mining, railway, petroleum, electricity and steel – were required by the Law to affiliate to the CFL (Kleingartner and Peng, 1991: 432-434). In 1990, the year following the announcement of the first privatisation list, the CFL's total number of union affiliates was 3,629, of which 1,373 were industrial and enterprise unions (CLA, 2006). As shown in Table 3.1, in 1990, membership of the CFL was more than two million, of which nearly 700 thousand or 8.45 per cent of total workers (8.28 million) belonged to industrial or enterprise unions. Before the

change of the ruling party in 2000, the CFL was highly controlled by the KMT, not only in terms of its activities but also in the union presidential elections¹. Its role and function were regulated to provide social, welfare, health and educational programmes for its affiliates (Lin, 1997: 56-60; Harper, 1987: 395; Wilkinson, 1994: 144-148), and to promote economic and industrial development as well as to mobilise member unions in support of KMT policy (Pan, 2006: 3).

Table 3.1 Unions affiliated to the CFL in 1990

Affiliated Unions	Membership
Taiwan Provincial Federation of Labour	1,505,435
Taipei Municipal Federation of Labour	205,000
Kaohsiung Municipal Federation of Labour	138,975
Chinese Federation of Railway Workers' Unions	21,829
Chinese Federation of Miners' Unions	2,315
Chinese Federation of Postal Workers' Unions	23,862
National Chinese Seamen's Union	27,923
Taiwan Highway Workers' Union	5,874
Taiwan Telecommunication Workers' Union	34,550
Taiwan Petroleum Workers' Union	22,851
Taiwan Electricity Power Workers' Union	27,817
Taiwan Federation of Industrial Workers (Unions of Processing Zones)	59,272
China Airlines Industrial Workers' Union	6,000
Total	2,084,703

Source: Department of Organisations, CFL 1990, cited in Kleingartner and Peng, 1991, Table 2.

Extensive intervention was also imposed by the KMT on CFL affiliates. Moreover, the Federations listed in Table 3.1 also comprised affiliated unions. One of the CFL's important affiliates was the Chinese Federation of Railway Workers' Unions, which until the mid-1990s comprised the Taiwan Railway Labour Union² (TRLU). The Taiwan Railway Labour Union, set up

¹ Before the 1990s, CFL presidential elections were not held at regular intervals (Ho, 2006).

² The TRLU had been the only member of the Chinese Federation of Railway Workers' Union until the establishment of the Taipei Rapid Transit Corporation Union in the mid-1990s, which later became the second member of the federation.

with the full support of the party-state in 1947, was one of the earliest, largest and most important public sector unions in Taiwan. Its development was mainly driven by the KMT's labour relations principles mentioned above. The KMT not only provided unambiguous and direct guidance and leadership during the Preparatory Committee for the Establishment of the TRLU, but also full financial support (Lin, 2002: 39-46). Against this background, the TRLU's development was not based on labour consciousness but on the Party's political intention in relation to labour control. The TRLU would not concentrate on representing members but on serving the party-state. It could be argued that the support and intervention from the Party during the preparatory period were aimed to control the union and to incorporate it as an arm of administration on the one hand, and to show that the party-state cared about labour rights and status by incorporating union leaders into the decision-making structure, on the other.

The close association between the TRLU and the party-state can also be seen when scrutinising the composition of the TRLU's officials. From 1956 onwards, the percentage of KMT members working on the railway network was more than 50 per cent of total railway workers. The percentage reached 67 per cent in 1982 (Lin, 2002: 62-63). In addition, since the first union election in 1947, the TRLU's chairmen and union officials had been dominated by KMT members¹ (Lin, 2002). The proportion of KMT members working on the Taiwan Railway and belonging to the TRLU seemed to enhance the capability of the KMT to influence and provide guidance on union policy on the one hand, and to more easily control the union on the other. Moreover, the TRLU's leaders and core union staff were usually granted political benefits in return for their loyalty to the Party (Lin, 2002). It is clear that since the union's establishment was not based on labour consciousness but on the Party's will in relation to labour control, the role of the TRLU did not concentrate on representing its members' interests but on

¹ The incumbent union chairman (since 2003) is an exception. He was expelled from the KMT in 1990 because he organised collective action against the party. Further, after the TRLU became independent in 1991, Chairmen Lin (1991-1997) and Chang (1997-2003), although officially KMT members had more discretion and began to make autonomous decisions.

serving the party-state. Its dependency role can best be understood by looking at the TRLU's founding statement announced at the TRLU's inaugural meeting on 14 August 1947:

Our Mission:

We will never hesitate to sacrifice ourselves in support of the government to eliminate rebellion in order to preserve our national independence and territory intact. We will fight against those who attempt to ruin our nation's unity and to obstruct social progress to the end.

Our Goal:

From now on, we will endeavour to improve railway workers' knowledge and to organise education on self-discipline

Our Pledge:

... We will endeavour to follow the government's instruction and support orders to construct *san-min zhu-yi* (*Three Principles of the People*) in Taiwan (Railway Workers, 1987: 18-19, cited in Lin, 2002: 41).

These strong expressions in the TRLU's founding documents explicitly illustrate that the TRLU's establishment was part of the party-state's political ambition to consolidate its power in Taiwan, as an independent territory. Obviously, therefore, the establishment of the TRLU had little to do with improving railway workers' interests and working conditions.

Under these circumstances, it is understandable that industrial relations were relatively passive and no major labour disputes occurred in the railway industry, primarily because of the dependent role of the TRLU. The TRLU was also required to play a mediatory role between workers and the employer and the state. It is therefore not surprising that union organisations, including the CFL, union confederations and their member unions, in the context of KMT control were dependent on and subordinate to the party-state. However, by the 1980s, the dependency scenario was beginning to show signs of change.

In short, the KMT strategically regarded the unions as an instrument to control labour and thus incorporated trade unions into its state system, as other Leninist parties did, in the interests of the nation, the economy and

society. At the national level, the party-state created dependent trade unions subordinate to the Party. At the industrial level, employers, though not substantial, supported the development of union organisations in the interests of peaceful industrial relations and better productivity. They were not established to promote workers' interests and seek redress for their grievances, as the railway case showed. Nevertheless, as the KMT's dominant role disintegrated with political reform and economic emancipation, so trade unions also reformed.

3.4 The emergence of independent trade unionism

The authoritarian party-state gradually became unsustainable as external and internal pressures built up from the late 1970s onwards and accelerated in the late 1980s. The political dissidents, who were outside the Party, began to organise a wave of political reform movements for democracy and challenge the power of the KMT through a number of political incidents¹ (Lin, 2002: 20). This wave of political reform was at first triggered by the severing of diplomatic ties with Western countries and Taiwan's withdrawal from the United Nations in 1971 when Communist China took over its permanent seat on the UN Security Council (Cheng, 1989). The KMT government also carried out a number of policy changes, mainly to promote political openness as a response to the deteriorating diplomatic situation and to quell the demands of the emerging intelligentsia. From that time on, the dominant role of the party-state gradually declined. Political and economic emancipation opened up opportunities for a prosperous civil society by which the KMT's hegemony was further challenged and weakened. In line with the party-state's disintegration, a more activist working-class consciousness began to develop, indicated by the independent labour movement that emerged to take on the role and functions of the official unions. This independent labour movement organised outside the official unions and served as a foundation

¹ For instance, political dissidents won Taoyuan county's governorship election in 1977 (Cheng, 1989; *United Daily News*, 20/11/1977: 3).

for rebellion against state sponsorship. In one sense, this labour movement was not only an economic struggle but also a struggle for freedom and democracy.

There were four events in the 1980s that widely inspired the development of a more active expression of working-class consciousness and which led to an increase in labour disputes. These were: (1) the enactment of the Labour Standards Law on 30th July 1984; (2) the lifting of martial law on 15th July 1987; (3) the establishment of the Council of Labour Affairs at Cabinet-level on 1st August 1987; and (4) the privatisation policy announcement in July 1989. I will illustrate how these events played key roles in transforming dependent trade unionism.

Ratification of the Labour Standards Law (LSL) in a sense fulfilled the KMT's inherited ideology that the state has an obligation to take care of workers' interests and welfare. The LSL clearly regulates every aspect of a worker's rights, benefits and working conditions, from first entering a company to the retirement pension. It also details the health and safety issues and minimum as well as maximum working standards. Since the function of the LSL and collective bargaining largely overlapped, the role of trade unions in negotiating with employers on working conditions was further marginalised (Kleingartner and Peng, 1991: 429-430; see also Deyo, 1989; Lin, 2002). As a result of the LSL's introduction, workers became aware of minimum working standards and conditions which were constantly being ignored by employers in the name of industrial prosperity. Accordingly, when the law was only partially implemented by employers, workers became impatient and prepared to rebel to uphold their interests (Kleingartner and Peng, 1991: 430; Moore, 1988: 116). The number of labour disputes as well as the number of workers involved increased considerably after the 1970s and accelerated in the 1990s when the government began to implement privatisation as shown in Table 3.2.

Table 3.2 Number of labour disputes and number of workers involved

Selected Years	No. of disputes	No. of workers involved	Selected Years	No. of disputes	No. of workers involved
1965	15	259	1995	2,271	27,342
1970	92	920	1996	2,659	21,654
1975	458	16,809 ¹	1997	2,600	81,004
1980	626	6,305	1998	4,138	103,568
1985	1,443	15,486	1999	5,860	30,440
1987	1,609	15,654	2000	8,026	56,543
1988	1,314	24,237	2001	10,955	58,643
1989	1,943	62,391	2002	14,017	105,714
1990	1,860	34,089	2003	12,204	28,821
1991	1,810	12,696	2004	10,838	32,478
1992	1,803	12,394	2005	14,256	85,544
1993	1,878	37,949	2006	15,464	81,639
1994	2,061	30,890	2007	19,729	121,563

Source: Kleingartner and Peng, 1991: TABLE 3.
Labour Statistics, Council of Labour Affairs, 2008

Both figures increased substantially when martial law was lifted in 1987. However, between 1991 and 1992, the number of workers involved in strikes halved, mainly for two reasons. On the one hand, the KMT government, under pressure from indigenous capitalists and foreign investors, began to forcefully carry through legal restrictions to persecute a number of organisers of unlawful strikes (Lin, 2002). On the other hand, the party-state did not give up attempting to intervene in union affairs (Taiwan Labour Front, 1999). However, the downward trend did not last long, because union activism in the public sector was stirred up by the state-driven privatisation policy in the late 1990s and significantly increased from the 2000s onwards.

By the end of the 1980s, strikes and stoppages were mainly organised through independent workers' organisations for economic considerations. This wave of labour activism was centrally aimed at obtaining a more thorough enforcement of the LSL and better pay and conditions (Moore, 1988). Labour activists first emerged from public utilities and government-

¹ 1975 saw a setback in economic growth due to the oil crises. This partly contributed to the increased labour unrest. These disputes were small in scale and soon settled down when the government intervened.

sanctioned monopolies, such as transport companies, the railway, petroleum and electricity, and so on (Moore, 1988: 117). These public sector workers, whose jobs were secured, had more bargaining leverage than those in the private sector. However, it must be noted that the majority of firms in Taiwan were SMEs in private and family hands, and they were not significantly affected by labour problems (Moore, 1988: 117). Workers in private and family-owned companies were more likely to be made redundant if they attempted to confront employers. In addition, the legacy of Confucian philosophy appeared to guide labour-management relationships in a more subtle way in these enterprises. As a result, the wave of independent labour movements in the late 1980s, with the assistance of political dissidents, became much more pervasive in the public sector than in the private sector in Taiwan (Cheng, 1989).

Public sector trade unions found themselves trapped in the middle of these developments. On the one hand, unions could not play a mediatory role to pacify workers and persuade them not to go on strike, on the other hand, unions were discredited by workers on account of their inability to stand up to employers' exploitation. On 1st May 1988, for instance, Taiwan Railway train drivers called for a one-day stoppage to draw attention to their demand for better working conditions and pay and enforcement of the LSL. Initially, train drivers had attempted to petition management through the TRLU. However, the TRLU lacked capacity to confront management. Train drivers therefore organised independently. The success of this industrial action led railway workers to think further ahead to winning union leadership through election as a long-term strategy to secure their independence. Those events which paved the way for railway workers (and other Taiwanese workers) to move further into autonomous grounds will be discussed in Part III of the thesis.

In the face of an increase in labour disputes and the decreasing influence of the Party, the Taiwanese government established the Council of Labour Affairs (CLA) at the Cabinet level. The CLA was to be at the forefront of the KMT's labour policy-making and management of labour related issues. The

establishment of the CLA on 1st August 1987 so soon after the lifting of martial law on 15th July 1987 could be regarded as the beginning of the end of the dominant role of the KMT in labour issues, as well as a response to American criticism of unsatisfactory labour working conditions and standards (Hsu, 1989). Some have argued that the CLA's establishment was also an attempt by the government to demonstrate the importance of workers' grievances by assigning their redress to Cabinet level (Kleingartner and Peng, 1991: 431). Others, however, regard it as nothing more than another form of incorporation – an intermediary role and substitute for direct labour control (Lin, 2002: 85). Notwithstanding, what is clear is that the party-state was losing its power of control over labour. This also stimulated the determination of rebellion from below.

In 1988, the first non-KMT member was successfully elected as union chairman at the Chinese Petroleum Corporation (renamed the CPC Co. Taiwan in 2007). This was a historic moment, since it was the first time that a non-KMT member had chaired a major public sector union. It was seen as a crucial step towards independent unionism (Kleingartner and Peng, 1991: 435). However, it is important to note that because dependent unionism was so deeply rooted in the party-state, the transformation of trade unionism would be a prolonged and complex process of struggle. For instance, two of the public sector unions, the TRLU and the Telecom Workers' Union, did not become independent until autonomous workers (directly involved in local struggles) won union leadership through election in 1991 and 1995, respectively¹.

Before the mid-1990s, public sector unions which became independent remained loosely linked. This was mainly because the Labour Union Law only allowed Taiwanese unions to be vertically affiliated with union confederations and the CFL and not horizontally connected with other unions. Moreover, the only union centre, the CFL, did not serve as a platform for its affiliates to work together and establish cooperative relations. Not until

¹ Public sector unions had already attempted to become more member-oriented in the face of activists' challenges as the TRLU's case shows (Lin, 2002: 103).

working conditions visibly deteriorated with the vigorous implementation of privatisation policies did these public sector unions begin to get together.

3.4.1 Independent unions and union confederations

After the emergence of independent unions in the late 1980s, the Taiwanese labour movement became increasingly active, progressive and dynamic. However, the collective labour movement, which would considerably strengthen the development of independent unionism, did not emerge until the mid-1990s. The formation of union coalitions seeking to collectively oppose privatisation gathered pace from this time onwards. The Public Sector Unions Coalition, the Preparatory Committee of the Taiwan Confederation of Trade Unions, and the Public Sector Unions Confederation were created in 1995, 1997 and 1999, respectively, to oppose privatisation and other purposes. Their establishment was phenomenal and had at least three important implications in relation to independent unionism. First, although the coalition of industrial unions was still illegal under the Labour Union Law, these unions attempted to organise union coalitions to safeguard the interests of their members as well as the unions themselves¹, highlighting how useless the CFL was to them. The establishment of these union coalitions suggested to activists that they could go beyond the boundaries set up by the state through legal regulations. The emergence of a new union centre, the Taiwan Confederation of Trade Unions (TCTU), appeared to confirm this situation. Second, these unions seemed to have won the support and confidence of their members whose labour consciousness in relation to working rights and conditions had been growing. Further, the formation of these coalitions demonstrated that, having been deprived of their fundamental functions for decades, unions were beginning to develop the capacity to organise and represent their members to confront employers and the state. Third, the establishment of such coalitions explicitly indicated that

¹ However, the state and the CLA inclined to refuse to negotiate with these unlawful union coalitions as a strategy to divide unions. When a number of public sector enterprises were privatised, union coalitions were disbanded.

unions were in the process of developing a more cooperative and collective labour movement, extending bargaining power in relation to employers as well as the state. These three far-reaching implications emerged in the context of the state's privatisation policy in the 1990s, further heralding the rolling back of the party-state and the entrenchment of free, autonomous and independent unionism.

By the 1990s, the CFL lacked credibility in the eyes of its member unions due to its direct linkage with the party-state, and continued to maintain political dependency until the change of the ruling party in 2000. As a result of the successful formation of union coalitions in the face of privatisation, the establishment of a new and independent union centre became the major ambition of union activists (TCTU, 2007). On May Day 2000, eighteen trade unions, seven of which were in the public sector, collectively withdrew from the CFL and established a new union centre, the Taiwan Confederation of Trade Unions (TCTU), as a declaration of their independence, breaking their connections with the party and the state (see Table 3.3). In 2000, the TCTU's membership was nearly 260 thousand, 44 per cent of total industrial and enterprise unions' membership (around 590 thousand).

Table 3.3 TCTU founding unions and membership, 2000

Unions	Membership
<u>Public Sector Unions</u>	
Chunghwa Telecommunication Workers' Union	36,000
Taiwan Power Labour Unions	27,433
Taiwan Railway Labour Union	17,189
Taiwan Bus Workers' Union	3,137
Taiwan Tobacco & Liquor Corporation Federation Union	8,925
Taiwan Petroleum Workers' Union	17,594
Bank of Taiwan Workers' Union	3,803
<u>Local Trade Union Confederations:</u>	
Kaohsiung City Confederation of Trade Unions	34,771
Kaohsiung County Confederation of Trade Unions	12,330
Tainan Hsien Federation of Trade Union	10,000
Hsin-chu Confederation of Trade Unions	4,000
Miao-li County Confederation of Trade Unions	3,000
Confederation of Taipei Trade Unions	41,000
Taipei County Confederation of Trade Unions	10,000
Yi-lan County Confederation of Trade Unions	3,000
Taichung City Amalgamated Industrial Union	10,500
<u>Privatised Company</u>	
First Bank Labour Union	4,220
<u>Private Sector</u>	
Ta-ton Industrial Union	7,068
Total	259,170

Source: data provided by the TCTU, 2007

The TCTU's long-term objectives stated in its founding statement were "to change the unequal relationship between capital and labour and create a fair and just society in cooperation with other movements for social change" (TCTU, 2000). Its short-term goals aimed at revising the Labour Union Law to give workers the freedom of assembly; to protect workers' right to work and raise labour standards; to temporarily put a halt on privatisation; to allow employees to participate in company management; to establish a redistributive social welfare system; to join forces with other social

movements; and to consolidate workers' political power. This founding statement unambiguously acknowledged that, in order to defend the interests of the working class and to bring democracy to the workplace permanently, the autonomous union movement would be independent of political parties (TCTU, 2007). This declaration sharply contrasts with the dependent role of the CFL and highlights the commitment to independent unionism of the TCTU as well as its member unions.

However, since the establishment of the TCTU was still illegal under the Labour Union Law, it decided to make a strategic alliance with the opposition party, the DPP, which was later elected as the new ruling party in 2000, in the hope of being granted legally approved status. This was subsequently achieved through an administrative decree issued by the DPP government. The new government wanted to show its commitment to labour rights and it also needed a union centre linked to it to promote its labour policy. The alliance between the DPP and the TCTU had two profound consequences. First, since the TCTU and another two union centres (the National Labour Alliance and National Trade Union Congress) had been granted legal status in 2000, the Taiwanese labour movement genuinely developed multi-unionism, with many Taiwanese trade unions becoming more dynamic and thus more member-oriented¹. However, the TCTU's strategic linkage with the DPP has led many to question whether the TCTU is really independent. Some union activists feel that the TCTU has lost its ambition to protect an autonomous and independent labour movement (Yan *et al.*, 2003). For instance, when the CFL and other labour organisations formed an alliance to lobby the DPP government to initiate a policy to shorten weekly working hours from 48 hours a week to 84 hours every two weeks in 2001, the TCTU chose to support the DPP government's proposal to reduce working hours to 44 hours a week. The TCTU's support of the DPP government was regarded as a symbol of its linkage with the ruling party (Chen, 2001).

¹ Up to 2007, eight national union centres had been approved by the DPP government. However, the CFL and TCTU were still dominant in the Taiwanese labour movement.

However, others point out that the working class in Taiwan has been struggling for independence for more than a decade, and will therefore not easily give up this struggle and surrender to another newly established political force (Ma, 2003). In Ma's view:

The establishment of the TCTU heralds to the world that the Taiwanese labour movement has eventually, for the first time in history, become autonomous and independent, and is ready to make its presence felt on the international labour movement stage. ... At the same time, it is recognised that the DPP has some influence over the TCTU. This is because the DPP along with labour movements has endeavoured to and succeeded in challenging the party-state's hegemony. ... The history of class struggle in which the DPP stood together with independent unions cannot be ignored. ... It is unlikely that the DPP will successfully repress this newly flourishing autonomous labour movement because having experienced many pains to achieve its autonomy, this independent unionism will not surrender easily (Ma, 2003).

Although the debate as to whether the TCTU was independent or not was still ongoing, one of its founding member unions, the TRLU, chose to withdraw in November 2001 in protest against the TCTU's increasing support of the DPP. Its withdrawal highlighted its strong intention of remaining a union independent from political intervention. This placed the TRLU in the leading role in the struggle for independent unionism. Although the TCTU's ambiguous practice is still debated, what is explicit is that trade unionism has been moving towards independence, and the role of the state in this matter has been marginalised.

3.5 Conclusion

This chapter has explored the KMT model of the party-state and its role in labour relations in Taiwan. The KMT regime incorporated the Leninist type of political control and the capitalist model of economic expansion in its development strategy. This particular state form led to political as well as economic success. On the one hand, the KMT regime dominated political affairs by means of military and state corporatism, by which incorporation

and repression were imposed upon society at every level. On the other hand, the Taiwanese party-state allowed the development of private capital. Capitalism under the party-state's regulation became the feature most distinguishing it from Leninist parties elsewhere. This chapter has argued that the adoption of state capitalism under the KMT regime could be regarded as another form of state corporatist practice, since both the native bourgeoisie and the working-class became less likely to challenge the authoritarian party-state system. Under this two-way practice, an independent labour movement was repressed and controlled. Existing trade unions were simply there to serve the party-state and employers and not to engage either in class struggle or economic struggle, as the CFL and TRLU have shown. The literature, when focusing on Taiwan's economic experience, emphasises the contribution of disciplined and low-cost labour. However, this chapter goes beyond this to further contend that rather than confronting employers, the official trade unions played a role in mobilising members to support economic development as their priority. The role of trade unions, I argue, also contributed to the success of the KMT regime.

However, the situation where official trade unions were dependent on the KMT gradually transformed with the declining power of the party-state. This transformation process first emerged through autonomous workers organising themselves outside the existing system with the assistance of political elites and dissidents. In line with the changing role of the party-state, four events were identified as crucial drivers for the emergence of an independent labour movement. In the context, the occasion of the privatisation policy, instead of marginalising trade unions, became a force driving unions towards independence. This union activism proved important and effective in the development of independent Taiwanese trade unionism. Individual labour conflicts not only helped develop a broadening working-class consciousness, but also created an atmosphere for more active and independent workers seeking to win union leadership through union election. As a result, independent unionism emerged in the late 1980s.

This independent trend was strengthened in the wake of the privatisation policy in the 1990s, when public sector unions began to realise that, unless they got together, they would not win the battle against the government. Cross-union solidarity enlarged bargaining power against employers as well as the state. Against this background, the first independent national union centre, the TCTU, was established and formed a strategic alliance with the new ruling party in 2000 to represent and defend autonomous unions' interests. However, the TRLU, one of the leading unions in Taiwan in 2001, withdrew from the TCTU, indicating its rejection of any form of political intervention in the labour movement. This action seems suggest that the TRLU, once dependent on state sponsorship, is now independent.

The issue of the independence of Taiwanese trade unionism raises a number of questions. To what extent does independent trade unionism strengthen unions' bargaining capacity when the privatisation policy is applied? And does the railway union which showed its independence by way of withdrawing from the TCTU have stronger bargaining capacity against privatisation than its union counterparts? General Research Questions formulated in Chapter 2 will help to answer these questions in detail.

3.6 Research Questions relating to the Taiwanese context

This thesis aims to explore the relationship between privatisation and the role of the state, capital and trade unions in Taiwan in the context of global neo-liberalisation. On the basis of the analysis in this chapter, the four overarching Research Questions are as below:

Research question 1: The state

RQ1: Given that Taiwan was a Leninist party-state, was the process and issue of privatisation in Taiwan similar to that in post-socialist

countries (such as Russia), developing countries (such as sub-Saharan Africa) or advanced capitalist countries (such as the UK)?

Research question 2: Capital

RQ2: What role did private capital play in Taiwan in the privatisation process?

Research question 3: Trade unions

RQ3: How did Taiwanese public sector trade unions play their roles in the privatisation process?

RQ4: Do Taiwanese public sector trade unions have the capacity to shape public policy?

In answering these questions, consideration is given to the public sector as a whole. However, specific attention is paid to the Taiwan Railway and the railway union. There are a number of reasons for this focus. First, the proposal to privatise the Taiwan Railway is long standing. However, this sector has still not been privatised. This proposal has been subject to extensive debate. Second, in view of privatisation policies and practice elsewhere, it is unclear what the role and place of capital is in the process of privatising the Taiwan Railway. Third, privatisation became a critical point of reference for public sector unions. As noted, the TRLU was at the forefront of the campaign for independent trade unionism and subsequently became a leading independent trade union.

The subject of the next chapter is the research design and methodology chosen to elicit the data necessary to answer the above questions.

Chapter 4

Research Design and Methodology

4.1 Summary of Chapters Two and Three

The literature reviewed in Chapter 2 suggested that the state, capital and trade unions played different roles in the privatisation process in the global context. Generally speaking, developed countries played a leading role in this global neo-liberalisation trend. The involvement of capital in privatisation in developed countries seemed to be driven by a state which created a favourable financial climate. In contrast, both developing countries and transition economies adopted and implemented privatisation as part of structural adjustment programmes or stabilisation schemes, under pressure from supranational financial agencies and Western governments. In the post-privatisation era, trade unions in liberal democratic countries appeared to play a limited role in the process, often experiencing difficulties in questioning the process. Nevertheless, there is evidence that unions began to revive in the aftermath of privatisation. Trade unions in post-communist Russia sought to benefit from the privatisation process.

When considering Taiwan however, things seem to be different and more complex. The government pursued its privatisation programme as a way of securing power rather than to position the Taiwanese economy in a global context. Of note, Taiwanese public sector trade unions responded variously to these proposals, some supported them while others were against them. To explore the differences and complexities, I approached the research as below.

4.2 Overview

I became aware of the extent to which the topic of privatisation and labour was neglected when I began my first year of doctoral research. Further, it became obvious that there was a major “gap” in relation to privatisation in Taiwan. Accordingly, it became clear to me that in this thesis, fieldwork would be of paramount importance in order to understand and examine the Taiwanese experience in detail. This doctoral thesis therefore attempts to pursue the research goals through utilising qualitative research methods to gain first-hand, rich, deep, holistic and contextual understandings of the research topic.

As indicated in Chapter 3, I decided to study Taiwan and the Taiwan Railway in particular. There were four reasons for this choice. First, the Taiwan Railway, which celebrated its 120-year anniversary in 2007, is one of the oldest and most important strategic industries in Taiwan. Second, in view of its financial plight, the government had attempted to introduce a number of reform approaches but failed. In line with the global neo-liberalisation trend, the government then decided to adopt privatisation policies in general and privatisation of the railway in particular, as a way of solving its financial problems. From the early 1990s onwards, the government therefore began studying an appropriate approach to privatise the Taiwan Railway. However, to-date, privatisation of the Taiwan Railway is far from complete. The reasons for this delay have been overlooked by the mainstream literature. Therefore, a study of the railway case can provide an alternative analysis of arguments about neglected aspects of privatisation. Third, railway workers and the railway union have led the way for workers and trade unions of different trades throughout the history of the Taiwanese labour movement. The way in which railway workers and the railway union have rebelled against the government is unprecedented and extraordinary in Taiwan. I therefore wondered why the railway labour movement could be so significant in Taiwanese labour history. Fourth, before I was accepted as a doctoral student at Cardiff School of Social Sciences in 2004, I was in the process of

completing a MSc. study on a particular aspect of the privatisation of the Taiwan Railway (the privatisation policy and the way in which the policy had shaped industrial relations in the railway industry) at Cardiff Business School between 2003 and 2004. When my Master's research project was about to finish, I had been curious about why labour movements in the railway industry were more distinctive than other unions in Taiwan. I therefore assumed that there would have some unknown correlations between the past and present of the railway union in relation to its struggle against the party-state apparatus and privatisation. This became the centre of my PhD study.

During my Master's Study, of significance, a core event, a day of "intentional" stoppage by the TRLU took place on 11th September 2003, known as the 9/11 event. It had major implications for Taiwanese union history. The 9/11 event was so successful that not only was the privatisation of Taiwan Railway temporarily withdrawn but also the event became a benchmark for other unions in Taiwan to follow in resisting either management or the government.

Upon reviewing the emergence of this event together with the British privatisation experience, I was curious to know the nature and character of the Taiwanese privatisation policy, and what impacts it had had on industrial relations in the railway industry. In other words, my MSc. research project was a study of the privatisation policy and the changes in industrial relations in the Taiwan Railway before and after the 9/11 event in 2003. In contrast with the MSc. project, the significance of this doctoral project is that it aims to study the development and transformation of public sector trade unionism in Taiwan. This second study not only involves the railway industry but also considers other public sector trade unions in Taiwan. Privatisation is a particular event used to illustrate and demonstrate the place of Taiwanese trade unions in relation to state policy and practice.

The MSc. research project thus provided me with two advantages for my subsequent doctoral research project. The first was that I established a fair

understanding of Taiwanese privatisation issues and the attitude of the government, management and the railway union to privatisation. Second, and perhaps the most crucial benefit, was that I had established and maintained a strong connection and contact with the head of the Research Group of the railway union who later became my main informant and was very supportive of my doctoral research project.

4.2.1 Data collection

Data for this research project was obtained during three fieldwork trips between May 2005 and November 2007. In order to explore the Research Questions in relation to Taiwan in detail, three principal methods of data collection were utilised. The first and most dominant data collection method was the semi-structured interview. Data collection was of decisive importance in relation to the success of this research project. If not done well, the whole research might be put in danger and the entire research work might be in vain (Yin, 2003). In view of the research settings, interviews as the main data collection method in the field were important for this research project.

The advantages and features of the semi-structured interview have been widely identified. First, the interview involves face-to-face dialogue. This technique helped to develop mutual trust between me and interviewees and thus strengthen data credibility. Second, the interview, particularly the semi-structured one, is particularly suitable for explaining changes in organisations and society, operational processes and employee behaviour (Mason, 2002). The semi-structured interview can be conducted like a chat or a conversation and carried out in a pressure-free atmosphere to generate and discover useful data.

An open-ended conversation, the main feature of the semi-structured interview, not only allowed me to follow up interviewees' remarks for

further exploration and clarification, but also allowed respondents to freely give their experiences and opinions towards some events which they thought appropriate and necessary while being interviewed. This feature helped me to generate new and important themes. An informal and flexible conversation also allowed me to induce interviewees to speak and elaborate on some informal and untold stories in which I was particularly interested. Accordingly, based on such informal interactions between me and interviewees, I explored and gained first-hand, rich, deep, holistic and contextual data that had been hidden (Mason, 2002: 63).

I conducted 41 interviews in total, which included 38 semi-structured interviews and three telephone interviews (Appendix A). I attempted to interview people from a wide range of positions within and beyond the railway industry. In addition to railway union officials, interviewees included government officials, legislators¹, railway commentators, the executive manager of the Consumers' Foundation, academics, railway director-generals and managers, railway workers, union officials in other industries, and other experts.

In addition to data collected through interviews, during the fieldwork period, I was granted special permission, to become a Union Researcher (December 2005 – December 2006), by the railway union chairman. As a result, I was able and free to participate in union activities, formal union meetings, and informal and occasional discussion groups. This also gave me the opportunity to collect a large amount of observational data in relation to people's daily lives for an extended period of time, watching what happened, listening to what was said, and asking questions (Hammersley and Atkinson, 1995). I wrote fieldnotes on my observations. Observation and participation provided me with substantial data and understandings of the union policy-making process and the way in which those observed responded. Data collected through observation and participation was of paramount importance for this research project because the study area had not been previously

¹ In British terms, members of Parliament.

properly studied, and thus much of what has happened in the world of work had remained unexplored. Furthermore, as complementary data collection methods, observation and participation proved crucial because my fieldnotes helped me to explain and analyse other data I had collected through interviews.

Moreover, detailed documentary analysis of reports and related material on pertinent issues published by government agencies and the Taiwan Railway were also utilised and cross-referenced with qualitative data to strengthen data credibility. Such materials were mainly published by government departments or agencies. The main government agency for planning, guiding and controlling privatisation progress is the Council for Economic Planning and Development (CEPD). Four major government departments in charge of implementing privatisation in individual public enterprises are the Ministry of Transportation and Communications (MOTC), the Ministry of Economic Affairs (MOEA), the Ministry of Finance (MOF), and the Veterans Affairs Commission. Both the planning and executive bodies periodically publish and update important and relevant information on the privatisation process on the official websites. These online documents were collected and analysed to understand the government's perspective towards privatisation. Apart from that, other useful sources of data included Taiwan Railway internal publications, privatisation forum papers, and articles in the press dating from the 1950s to the present day.

All interviews were conducted in Taiwanese and/or Mandarin, and the fieldnotes and the majority of documentary materials were written in Mandarin. Under these circumstances, the data analysis involved not only analysing data but also translating data into English and writing it up. In order to translate words, which might have particular social and cultural implications, as precisely as possible, and to reduce the influence due to cultural differences for English readers, I consulted native English speakers in the School of Social Sciences for advice and assistance.

In the following sections, I will first explain the history of this research project. This initial section is followed by a detailed description of the three fieldwork trips. And then, I will reflect on my role during the fieldwork period and on the issues of involvement and detachment.

4.3 History of the doctoral project

I did my MSc. in Cardiff Business School between 2003 and 2004. My dissertation was entitled *Privatisation and Industrial Relations – a case study in the Taiwan Railway*. I then came to Cardiff School of Social Sciences in 2004 with a fair understanding of the privatisation issues in Taiwan and the way in which the policy shaped industrial relations in the railway industry. During the course of my MSc. research project, I came to realise that the Taiwanese government had particularly referred to the privatisation experience of British Rail and the Japanese Railways. The Taiwanese government first looked at the British experience of the privatisation of British Rail but, then, having encountered a number of barriers to privatisation, shifted their attention to the Japanese model of privatisation of the Japanese Railway. Therefore, when I began my doctoral research project in October 2004, I decided to maintain my particular focus on privatisation and the railway industry but, driven by an ambitious research intention, I decided to broaden its scale to an international comparative study looking at the role of the state, capital and trade unions with reference to the privatisation of railways in Britain, Japan and Taiwan.

During the first year of my doctoral research, my supervisors, Peter Fairbrother and Huw Beynon, and I spent a long time trying to decide on the focus of the project. We drew a structure of the focus of this project on a flipchart for this purpose. We had been debating as to whether this research would be a comparative study of the three countries or a study on Taiwan with particular reference to Britain and Japan, as two exemplars. We decided that, structurally, the Taiwanese privatisation experience had to be the first

case of the three in my thesis. However, since the literature and documents in relation to Taiwan and this topic are not abundant, I began this research by first looking at the British experience in the privatisation of British Rail as a theoretical foundation for the following research on Taiwan and Japan. I therefore wrote four working papers, entitled *Railway History in Britain, Privatisation and the State, Privatisation and Capital, and Privatisation and Labour*, respectively. These working papers attempted to study the issues and arguments on the basis of the British experience. We spent time debating and discussing the issues and arguments, raised in the four working papers during supervision periods in the first year. We also attempted to extend the issues and debates to international comparative perspectives.

However, as I worked through the three years, the focus of this doctoral research project shifted from an international comparative ground to a study of privatisation in Taiwan. The main reason why I shifted the focus of this doctoral research project was that I came to realise that the history and background of the Taiwanese privatisation experience and that of the railway industry and the railway union in particular were far more complex than I had initially expected and imagined. Not until the beginning of my first fieldwork trip in May 2005 to Taiwan did I realise the extent of the neglect of study on privatisation and trade unions in Taiwan. I had overlooked and underestimated the phenomenal implications that the Taiwanese privatisation experience would have.

During the first fieldwork trip in Taiwan, I met my main informant and others whom I had got to know when I was doing my Master's research project. On this fieldwork trip, I became aware that the significance of the railway union was not only with reference to its success in opposing privatisation, but also in the way in which railway workers rebelled against the administrative-command system and the structure of the party-state to which they had been subservient for decades. There were stories upon stories in relation to the history of the development of the independent railway union which were not publicly known. Upon becoming aware of this research potential, I began to refocus my research project. The most important

consequence of this fieldwork trip was that I planned a second eight-month fieldwork trip in Taiwan (between February and September 2006) in order to find out more about these stories. Accordingly, the focus of my doctoral research project continued to shift.

When I came back from the second fieldwork trip (September 2006), I attempted to find out what was happening within the Taiwanese trade unions by giving a paper, *Public Sector Unions and Privatisation in Taiwan*, at a Labour Research Seminar in the School of Social Sciences in November 2006. The advantage of this presentation was that I realised that my doctoral project could focus on the Taiwanese experience alone, with the British experience as a point of reference and as a background study. I also came to understand that I could not research the railway union without dealing with other public sector trade unions in Taiwan. Thus, I shifted the focus and structure of this doctoral research project again. In addition to this seminar, I also gave papers on different occasions, including three at important international conferences:

Mind the Gap: Development of trade unionism in Taiwan and its transformation. Paper presented at Graduate Research Presentations Day. Cardiff School of Social Sciences, Cardiff, UK. 8th May 2007.

Union Activism in the Taiwanese Railway Industry: Its source and impact. Paper presented at British Universities Industrial Relations Association New Researcher Workshop: IIRA Conference, Manchester, UK. 3rd—6th September, 2007.

Union Policy and the Bargaining Capacity of Taiwanese Trade Unions in the context of globalisation. Paper presented at Work, Employment and Society Conference, Aberdeen, UK. 12th—14th September 2007.

The Rise and Fall of the Taiwanese Party-State: implications and impacts on the development of trade unionism. Paper presented at 22nd Employment Research Unit Annual Conference, Cardiff Business School, Cardiff, UK. 17th—18th September 2007.

The basic intention of giving these presentations was not only to gain feedback from the professional audience but also to broaden the scope of my

research area and to enlarge my social network. The experiences provided me with considerable benefit when I was writing up my thesis.

4.4 Data collection for the PhD study

As indicated, I undertook three fieldwork trips to Taiwan as part of my doctoral research.

4.4.1 The first fieldwork trip — May 2005

My first fieldwork trip took place in May 2005. It was organised with two basic aims in mind. First, I wanted to do some preliminary studies in order to determine how this doctoral research project should be constructed and could be conducted. I needed to understand to what extent this research topic and area were appropriate. As I indicated earlier, based on the knowledge I developed during the MSc. project, this doctoral project added the examination of the role of the state, capital and trade unions in the privatisation process of the Taiwan Railway which had not been systematically studied before. During this fieldwork trip, I did my best to look into materials from all possible sources, including postgraduate dissertations, journal articles, to ascertain the issues that my research might address. Surprisingly, there was very little information and research available. For me, this had two implications. First, in view of the situation, it was clear that no one had conducted a research project similar to mine. Second, it also meant that, as preliminary research, I would have to collect more first-hand data both by conducting more in-depth interviews with a wide range of interviewees and through collecting documentary data.

In addition to documentary resources, I also talked to people who might help me. I not only consulted union officials but also visited one Taiwanese academic who specialised in the privatisation of the Japanese Railway and

Taiwan Railway. I did not deliberately prepare interview schedules for this trip since I was endeavouring to ascertain whether the issues I intended to focus on my research project were feasible. It was on this fieldwork trip that I noticed the research potential in Taiwan and the Taiwan Railway in relation to the history of class struggle in the country. People with whom I consulted about the issues in which I was interested unintentionally and commonly mentioned that the railway industry had had a long history of rebellion since the 1970s. In addition, in their view, the reason why the railway union could successfully oppose the privatisation of the railway was linked to this history. This aroused my interests because I have never seen any report or heard any news about the connection between the past and present events.

Second, the aim of this fieldwork trip was also to negotiate with the head of the Research Group for access not only for interviews but also for participation and observation on site. I also discussed with him the timetable for the following fieldwork. When he heard that my research project required more in-depth interviews with key figures, he promised to help me to arrange these. On the way back from Taichung (where the academic lived) to Taipei (where the railway union was based), I asked him (he had accompanied me on my visit to the academic in Taichung) whether or not the railway union could “hire” me as a non-paid union researcher for this research project. My abrupt request to “work” as a union researcher (which had not been a planned intention for this fieldwork trip) caused a lull in our conversation for a little while. Somewhat embarrassed, I further explained that I was not seeking payment for this work, rather I hoped that I might benefit from this identity and gain access within and outside the railway industry. Shortly after my explanation, he said he could promise me nothing but would present this idea to the union chair and let me know the outcome as soon as possible. To be honest, I was not sure whether my request was proper and polite, since he and the union had no responsibility to support my research in this way.

However, to my surprise, in November 2005, I received an email from the head of the Research Group, who said, he had put forward my idea at the union directors’ meeting and it had been officially approved. There had been

no objection. Therefore, from December 2005 until the end of 2006, I was not only a PhD student but also a railway union researcher. My benefit as a union researcher included a desk with an Internet access point in a shared union office, and unlimited and free train tickets to travel wherever I needed to go for fieldwork purposes. I derived immeasurable benefits from this dual identity on my second fieldwork trip.

4.4.2 The second fieldwork trip — February to September 2006

The period of the second fieldwork trip was the longest and most crucial to the success of my doctoral research project. It lasted from February to September 2006. In February 2006, I went to the railway union for the second time. But this time, I had a new identity and a business card on which my name and title — “Union Researcher” — was printed. During the second fieldwork trip, data was collected not only through in-depth semi-structured interviews, but also through observing union activities, participating in union meetings, taking fieldnotes, receiving feedback from others and collecting documents.

Semi-structured interviews still formed the most important part of data collection on this fieldwork trip. According to my interview schedules (Appendix B and C) prepared before the trip, I intended to interview former and incumbent director-generals of the Taiwan Railway, railway managers, railway union officials, railway workers, government officials, legislators, representatives of consumer groups, other chairs of different unions, railway correspondents and other experts. Benefiting from the identity of “Union Researcher”, I was freely able to contact as many union officials as I thought necessary for conducting interviews.

During interviews with railway union officials and senior workers, I successfully gained and explored several “insider” stories in relation to the

connection between the history of the railway workers and their union and the contemporary railway union situation. This connection had puzzled me for a while. On this fieldwork trip, I had more time to solve this puzzle by contacting several key figures who had been directly involved in the rebellion process in the 1970s that had resulted in the formation of the Taiwan Railway Workers' Fellowship (TRWF) in the late 1980s. On exploring this issue, one particular group of railway workers, the train drivers and the Train Drivers' Fellowship (TDF), were frequently mentioned by union interviewees. In addition, these interviewees tended to use conservative (some used negative) expressions to describe the sectional interests of their train driver colleagues. This caught my attention. More importantly, according to interviewees, the significance of the TDF in the development of the independent railway union was no less than that of the TRWF. I was deeply convinced that this story as well as the relationship between the TDF and the TRWF was worth further exploration.

I therefore re-designed my interview schedules (Appendix D), particularly for interviewing train drivers and core members of the TDF and others who might know something about this history. The exploration of these stories and history in relation to the relationship between the two railway workers' groups helped me to identify two important and previously unknown themes, namely, (1) *sectionalism* of the TDF within the railway industry, and (2) cross-class collaboration between railway workers and the railway management in the context of privatisation. Many stories behind these events were recalled and related by union interviewees. In order to prove the authenticity of the data provided, I cross-referenced it not only with other interviewees' responses but also with the news reports and documents from that time. Overall, the sources of information and data proved to be highly credible.

In addition to interviews with unionists, I also endeavoured to interview people outside the railway industry and the union in order to broaden my research scope and improve the richness of my data. First, I asked my interviewees whether they could approach a number of key figures whom I

wanted to interview on my behalf. Second, I always asked my interviewees one final question: whom would they recommend I interview to explore some of the issues I wanted to investigate further? Interviewees were not only happy to recommend others to me but also (some of them) to directly contact key figures for me. Both these means were important because they not only saved me time in negotiating access but also engendered trust for those who were invited. This technique helped me to solve successfully the problem of negotiating access to some important figures, such as retired Taiwan Railway director-generals, retired Provincial Government officials, legislators and Chairmen of another two important unions.

For the purposes of this research project, I also sent invitation letters to people whom I believed to be worth interviewing, including ALSTOM's¹ senior manager in Taiwan, the executive manager of the Consumers' Foundation², two railway correspondents from two national newspapers, the executive secretary of the Taiwan Labour Front, the incumbent (at the time I was interviewing) Taiwan Railway director-general and former Labour Attaché to America. In some cases, I did not reveal my union researcher status, only my PhD student status, when I felt my interviewees might be anti-union. All those interviews during this fieldwork trip are listed in Appendix A. Due to time constraints and work pressures of some interviewees, I conducted three telephone interviewees with one railway correspondent, the chief secretary of the telecom union, and one MOTC official.

Almost all interviews were carried out at the offices of interviewees, except those with one retired railway director-general and the retired union chairman of the Taiwan Motor Transport Company. Interviews were also voice-recorded, except the telephone interviews. The duration of interviews varied from around 45 minutes to 2 hours, except the three telephone

¹ ALSTOM is a French based multi-national transport company, which ever provided locomotives to the Taiwan Railway.

² The Consumers' Foundation severely criticised the way in which the railway union had protested against the government's privatisation policy. Such protest, in its view, ignored passengers' interests.

interviews which were completed in ten minutes. After interviews, I went through my fieldnotes and listened to voice recordings and transcribed some of the more important ideas from interviews for the purpose of refining interview schedules for subsequent interviews.

Apart from interviews, I also collected data through participation and observation. During the second fieldwork trip, I was invited to participate in different union meetings, including informal brain-storming and discussion, weekly meetings, monthly standing director meetings, quarterly director meetings, six-monthly member representatives' general meetings and irregular *ad hoc* group meetings. Although the agenda of each meeting might not necessarily be related to my research project, I benefited from being present at these meetings. I carefully observed participants at meetings, the way in which they spoke and reacted with each other. I endeavoured to better inform myself of how the railway union operated and how decisions were made. In other words, by attending these meetings, I came to understand and explore the politics, culture, power structure, relationship and interactions within the union. Everyday, I took fieldnotes to record what I had observed. Although the majority of this data seemed to have little direct relationship with this research project, I believe the observational data increased my capacity to understand the setting and this helped me to analyse interview data more accurately. The setting also provides a context within which to understand attitudes towards privatisation.

Such observation became particularly important when I tried to understand some terms frequently used by interviewees and sought to translate them more precisely into English. For instance, union interviewees always used the term *gan-bu* (cadres) to describe “the most core members of the group” and the “people” who directly organised and planned particular events. This was particularly the case when they referred back to the history of rebellion in the 1970s and 1980s. The term *gan-bu* tended to have “political” connotations and implications. Thus, if I simply translated the term as “the core members of the group”, the political overtones of the term would not be conveyed to English readers. When I attended some important meetings, I

came to appreciate the importance of understanding the underlying meaning of terms and how they were used to differentiate members' role and standing in the group. For example, I thought all attendees at meetings were important enough to be called "cadres", however, some were not called "cadres" but by their names (or even nicknames) or titles in the union.

In summary, the first two fieldwork trips were successful. The first fieldwork trip provided me with important background knowledge and understanding of the research setting, the issues, and the research "gap". As a result of former fieldwork carried out for my MSc., not only was I able to build on previous good relationships established with railway unionists who agreed to help me gain access to key figures for interview purposes for doctoral study, I also came to realise some important issues had been neglected and needed to be further explored. The second fieldwork trip enabled me to collect data through various research methods. The title of union researcher granted by the railway union was also a bonus for this research project. As a railway union researcher, I used a desk in a shared office where I could closely and freely observe union activities. Working as an "insider" helped me to gain the trust of those around me which, in turn, assisted the research process. In addition, this identity opened up many windows of opportunity and enabled me to contact and interview a number of important figures. It was for these reasons that the amount of data I collected was massive, complex and diverse. It was also for these reasons that I shifted the focus of my research project and concentrated particularly on Taiwan.

4.4.3 Further interviews — November 2007

Although I was sure that the quality and quantity of the data I had collected was of a high standard and addressed the key issues of the project, I wanted to ensure that I had not misinterpreted the meanings of interviewees. By

giving a paper¹ at an academic conference in November 2007 in Taipei, Taiwan, I was able to revisit the Taiwan Railway union office to say ‘hello’ and to conduct further interviews with key informants. These interviews mainly focused on (re)confirming several issues and themes that I was beginning to address. This return to the setting and further interviews were important not only for the accuracy of data analysis but also because the relationship between myself and informants and others could be maintained for the benefit of my future research.

4.5 Reflecting on the fieldwork

— Involvement and detachment

The social relationship between myself and the head of the Research Group of the railway union was unusual and helpful for the success of this research project. I came to understand that his generous support successfully transformed my role from “outsider” to “insider”. The role of insider helped me to become fully involved in the research setting during the fieldwork period. This involvement helped me to work out a number of difficult situations related not only to (re)negotiating access for interviews and participant observation, but also to building up trust between us. I was therefore able to discover and explore undocumented issues and stories which had not been previously told or disclosed publicly. Without his support, this research would not have produced such rich and in-depth findings. But why did he trust me and give me so much support? Because our relationship went back to the time when I was doing the MSc. project.

When I requested access to study the railway union as my MSc. in February 2004, the railway union’s confrontation with the government over the issue of privatisation had just settled down. The railway union was happy to share

¹ Lee, F. H. and Zhao, W. (2007). Study on the Relationship between the Choice of Union Policy and Changes in Union Bargaining Capacity: Comparative study on trade unions’ attitudes towards the privatisation policy in Taiwan and China. *Taiwanese Sociology Association Annual Conference*. Taipei, Taiwan. 24th – 25th November.

their experiences and justify their actions with people who showed an interest in what they had done. The way in which I chose to make myself known to them was successful. I did not criticise their actions but showed an understanding of why they had confronted the government by organising such a massive event. At the same time, I endeavoured to maintain an objective view of the position of both parties to the dispute, as I was aware of the importance of neutrality and lack of bias in a research setting where data is to be collected and subsequently analysed. When I informed the railway union of the research topic I had chosen, and my student identity, and made it clear that I held no hostile attitude towards it, it became clear to them that I posed no threat. In fact, the union felt it would gain by having their views and experiences studied. Their positive attitude towards me was also driven by the fact that no Taiwanese student studying abroad had ever showed an interest in the railway union before.

Perhaps the most decisive reason for their acceptance of me was that I found the right person – the head of the Research Group¹ – as my main contact for the fieldwork for the doctoral project. To-date, he has been the only railway union official who has gained a postgraduate degree (in law). He is smart, open-minded, rational and enthusiastic about union agendas and issues. He belonged to the independent railway workers' fellowship very early in the 1980s. For this reason, he has been the most important “think tank” for the union, providing legal opinion and perspectives to the incumbent union chair. In other words, he has been influential within the railway union. During the fieldwork trip for my MSc. project, I had many opportunities to discuss and exchange ideas with him on many issues as a result of which we developed a good relationship, though he was much older than me. During the fieldwork trips, as indicated earlier, he provided me with valuable help and support.

Nevertheless, I would never regard him as a “gatekeeper” because he never intervened in the content, process and progress of my doctoral project. All he did was tell me to inform him if I needed any help. He then simply did his

¹ He was promoted to Chief Secretary of the railway union in 2007.

best to meet my needs. On some occasions however, he suggested alternatives if he thought my requests were inappropriate for some reason. His special role had two important implications for the success of my doctoral research project. First, because of his help and support, I became a union researcher with full “involvement” in the union. Second, because of his non-interventionist practice, I could maintain my “detachment” when collecting and analysing data.

Nonetheless, my *de facto* “unionist” role raises a concern in relation to whether I could interpret and analyse data “neutrally” without prejudice and bias. My research, which was “supported” by the union, aimed to explore the role of the state, capital and the trade union in the privatisation process of the Taiwan Railway. Aware of this unavoidable set of relations, to claim that this research is neutral seems too naïve. In addition, throughout the fieldwork period, I did my best to collect data from different sources, including interviewing a wide variety of people from different classes and backgrounds within and beyond the union and the railway industry, and at diverse institutions. Besides, I cross-checked the credibility of the data I elicited from interviews as much as I possibly could with published sources as well as published documents and related materials. This, I believe, not only helped me to understand the issues from wider perspectives and to avoid bias, but also to avoid prejudice and misinterpretation of data.

4.6 Conclusion

This research project predominantly utilised the semi-structured interview as the major data source but also incorporated other data collection methods, including observation and participation and documentary analysis. The implementation of a multi-methods approach together with the opportunity for observation promoted the quality and credibility of data and the success of this research. The success of this approach is demonstrated in Party II and III of this thesis.

Part II

**Public Sector Unions and
Privatisation in Taiwan**

Chapter 5

Public Sector Unions and Privatisation

5.1 Introduction

In Part I of this thesis, I argued that the decreasing power of the party-state contributed to the transformation of Taiwanese trade unionism from dependent to independent. In turn, the development of independent trade unionism in part accelerated the party-state's decreasing power within the industries and partly contributed to Taiwan's political democratisation. One of the main drivers for the emergence of independent trade unionism was the privatisation policy of the 1990s. Formation of the privatisation policy was driven by international as well as internal pressures. Under the influence of both the KMT's party-state rule and US-led capitalism, the rationale for privatisation in Taiwan in the early stage (between 1989 and 1996) focused more on political considerations than on economic ones. Marketisation, liberalisation and deregulation of public enterprises were not emphasised in this period.

One argument is that privatisation of state enterprises and associated agencies has significant effects on labour-management relations (Levesque and Murray, 2002). The literature in relation to privatisation and labour relations generally focuses on addressing post-privatisation and industrial relations (e.g. Arrowsmith, 2003; Ferner and Colling, 1991; Pendleton, 1999), with a sub-theme examining how and whether trade unions were renewed in the aftermath of privatisation (e.g. Barton and Fairbrother, 2007; Dundon, 1998). The most common argument in relation to the "theory of privatisation" is that both advocates and opponents believe that profit maximisation and efficiency influence and even shape the traditional trade union agency function. This has an impact on employment and working conditions (Pendleton, 1999). These developments were driven mainly by the

nature of privatisation: under pressure from shareholders, management regained managerial prerogatives and pursued lower operational costs and higher productivity in association with changes in working patterns, employment levels and conditions of employment (Arrowsmith, 2003). In this context, the managerial approach can be devastating to both workers and trade unions (e.g. Barton and Fairbrother, 2007; Fairbrother *et al.*, 2002), and inevitably compels a transformation in the relationship between the government, employers and trade unions.

The outcome of industrial relations in the wake of privatisation varied. The empirical evidence indicates that following privatisation, the impact on industrial relations was mixed (see Arrowsmith, 2003; Barton and Fairbrother, 2007; Dundon, 1998; Pendleton, 1999). For many trade unions and their members, privatisation had a considerable impact (see Fairbrother and Testi, 2002). Nonetheless, some trade unions were able to renew themselves, even after privatisation. For instance, research shows that unions, particularly the train drivers' union in the privatised British Rail, took advantage of the skilled workforce shortages and other factors, such as low market competition, to reinforce its bargaining capacity with their new employers (Arrowsmith, 2003). In comparison with this union in the railway sector, union strength in the electricity sector was relatively restricted, partly because of an increase in market competition (Arrowsmith, 2003). In the UK, unions in these two sectors showed different bargaining capacities, partly because the two sectors faced different levels of market competition generated by privatisation.

Union commentators in liberal democratic countries believe that a union's fundamental mission has always been to protect members' working conditions and wages (Hyman, 1975). Therefore, in the face of a hostile privatisation policy, unions can be expected to adopt a militant attitude. However, in Taiwan's case, while some public sector trade unions opposed privatisation, others did not. Moreover, independent public sector trade unions, which attempted to oppose privatisation, were differentially positioned and while some lost battles and their bargaining capacity was



diminished, others did not. This experience implies that the advantage of independent trade unionism seems not necessarily to turn into an absolute bargaining power for trade unions in the context of privatisation, but suggests that under certain conditions their bargaining capacity will be restricted. In order to unpack this paradoxical phenomenon, this chapter focuses primarily on questions for trade unions before and after privatisation in Taiwan. Specifically, this chapter studies trade union attitudes and policy-choices in the face of privatisation and whether their policy-choice is connected to changes in their bargaining capacities. This study draws particular attention to the ways in which union bargaining capacity is shaped by key structural factors within the situations in which trade unions operate (for a structural analysis of unions in relation to bargaining capacities, see Botwinick, 1993: 195-210).

This chapter therefore has two aims. The first is to explore the formation and purposes of the Taiwanese privatisation policy. Here I will investigate the origins and motives of the Taiwanese government in terms of the adoption and implementation of privatisation. This chapter also examines the reasons why the Taiwanese privatisation policy was difficult to implement. I will argue that the labour conflicts that occurred during the privatisation process were a feature of the varied proposals and circumstances of privatisation. The chapter's second aim is to present an analytical framework, based on the rationale for privatisation in Taiwan. This analytical framework illustrates the relationship between choice of union policy and changes in bargaining capacity. The research suggests that the outcome of privatisation varied according to the market and industrial structure of firms. A further feature of this analysis is to consider the limitations of the analytical framework. To anticipate, I argue that a neglected analytical dimension when considering union responses to privatisation is the organisational capacity of the unions themselves.

5.2 Rationale for privatisation

When the KMT was in power, Taiwanese economic policies were designed and guided by the party-state for political purposes (Wade, 1988). The KMT government controlled national resources by means of extensive nationalisation to achieve political goals. This policy proved to be the most effective technique for strengthening the party-state's political as well as economic capacity. Under the leadership of the party-state, with its complex origins in Leninist type political control and state capitalism, Taiwan experienced outstanding economic development. Such development attracted global attention and was seen as a model for other developing countries (White and Wage, 1988). However, this public sector centred approach was gradually unsustainable in the wake of oil crises and the demand for open markets. In the face of global economic depression, the performance of public enterprises, long controlled and intervened by the party-state, became a matter of political concern. Under these circumstances, public enterprises, once regarded as a valuable "asset" by the party-state, turned into a "liability" (Chang, 2002: 71).

To conform to the global neo-liberalisation trend mainly imposed by America, the KMT government established an *ad hoc* National Economic Reform and Development Commission in 1985 as an advisory body to the government. Having taken the advice of the commissioners, the KMT government announced that "Taiwanese economic development would move towards liberalisation, internationalisation and institutionalisation" (CEPD, 1987: 99-100, cited in Chang, 2001: 60). In 1989, the KMT government then turned this declaration into five concrete policy-making guidelines:

- (1) To lift import regulations;
- (2) To reduce foreign currency exchange regulation;
- (3) To cancel interest rate regulation;
- (4) To liberalise industries (by opening markets and privatisation); and
- (5) To open up the public sector to private investment (Hu, 2005: 2).

The formation of the new economic development strategy was facilitated by the lifting of legal regulations and the move toward liberalisation. Then, privatisation of government-owned enterprises was promoted. *The Act of Privatisation of Government-Owned Enterprises*¹ (hereafter the Privatisation Act) enacted on 20th January 1953 served as the legal foundation for developing the privatisation policy. According to Article 3 of the Privatisation Act, amended in 1991, the definition of privatisation is that government ownership is reduced to below 50 per cent of the total capital of the enterprise. The government has discretion to decide what state-owned enterprises should be privatised by considering whether or not the government should operate the state-owned enterprise (Article 5). The Privatisation Act also specifies the ways in which public sector enterprises may be privatised. By:

- (1) sale of shares;
- (2) sale of assets through bidding;
- (3) formation of a private-owned enterprise by joint venture with private individuals by way of contribution in kind;
- (4) merger of companies with the surviving enterprise being a private-owned enterprise; and
- (5) capital increase by cash (Article 6, the Privatisation Act).

The first privatisation list, involving twenty-two government-owned enterprises, was published in parallel with the declaration of the national economic reform strategy in 1989 (Table 5.1). It was followed by the second list in 1997 (Table 5.2) and the third one in 2003 (Table 5.3). Between 1989 and 2007, 66 government-owned enterprises were proposed for privatisation. Thirty-six were privatised and 17 were closed by the KMT and its successor, the DPP, respectively (CEPD, 2007).

¹ The Privatisation Act was enacted in 1953 in order to privatise four public enterprises to raise money for completing the land reform policy. The government's land reform policy through privatisation was driven by political considerations as addressed in Chapter 1.

Table 5.1: The first privatisation list, 1989 ⁽¹⁾

Privatised enterprise	Date of privatisation
Chung-Kuo Insurance Co.	1994
China Petrochemical Development Co.	1994
BES Engineering Co.	1994
China Steel Co.	1995
Yang-Ming Marine Transport Co.	1996
Liquid Petroleum Gas Supply Department	1996
Veterans Gas Factory	1998
Taiwan Navigation Co.	1998
Taiwan Life Insurance Co.	1998
Chang-Hwa Bank Co.	1998
Hua-Nan Bank Co.	1998
The First Commercial Bank Co.	1998
Taiwan Business Bank Co.	1998
Taiwan Fire & Marine Insurance Co.	1998
Taiwan Land Development Trust & Investment Co.	1999
Taiwan Machinery Co.	2001
—— Steel Factory	(1996)
—— Vessel Factory	(1997)
—— Alloy Steel Factory	(1997)
Chung-Hsing Paper Co.	2001
Taiwan Motor Transport Co.	2001
Agricultural and Industrial Enterprise Co.	2003
Tang-Eng Co.	2006
Closing-down	Date of liquidation ⁽²⁾
(Agriculture Development Department)	(1992)
(Ocean Fishery Development Department)	(1993)
(Frozen Processing Factory)	(1993)
(Taichung Harbour Vessel Factory)	(1995)
(Veterans Blanket Factory)	(1996)
(Changhua Factory)	(1996)
Kaohsiung Sulphuric Acid and Ammonium Co.	2002
Delayed	Expected date of privatisation
Taiwan International Shipbuilding Co.	To be announced

Source: CEPD, 2007: Tables 1, 2 and 3; Taiwan Labour Front, 1999: Appendix 1; Chang, 2002: Table 3-3

Note: (1) The enterprises in this Table and the following two are put in chronological order of privatisation.

(2) Some companies or factories, which closed down before 1996, were not published in the privatisation list because they were small in scale and unimportant.

Table 5.2: The second privatisation list, 1997

Privatised enterprise	Date of privatisation
Gang-Shan Factory	1998
The Farmers' Bank Co.	1999
Chiao-Tung Bank Co.	1999
Taiwan Fertilizer Co.	1999
Bank of Taipei Co.	1999
Bank of Kaohsiung Co.	1999
Shin-Sheng Press Co.	2000
Taipei Print Shop	2000
Central Reinsurance Co.	2002
Food Factory	2003
Taiwan Railway Freight Co.	2003
Tai-Yen Co. (Salt)	2003
Chung-Hwa Telecom Co.	2005
Veterans Pharmaceutical Factory	2005
Long-Chi Factory	2006
Closing-down	Date of liquidation
Veterans Mining Development Department	1997
Veterans Petrochemical Factory	1997
Nanzih Factory	1998
Veterans Print Factory	1999
Taipei Paper Factory	1999
Taiwan Film and Culture Industry Co.	1999
Taichung Timber Factory	2000
Taipei Iron Factory	2000
Taoyuan Factory	2001
Plastic Factory	2003
Delayed	Expected date of privatisation
Taiwan Tobacco and Liquor Co.	2008
Taiwan Power Co.	To be announced
CPC Co., Taiwan (Petroleum)	To be announced
Taiwan Railway Administration	To be announced
Aerospace Industrial Development Co.	To be announced
RSEA Engineering Co.	To be announced

Source: CEPD, 2007: Tables 1, 2 and 3.

Table 5.3: The third privatisation list, 2003

Privatised enterprise	Date of privatisation
Taiwan Cooperative Bank Co.	2005
Ongoing privatisation	Expected date of privatisation
Taiwan Sugar Co.	2006-2008
Taiwan Water Supply Co.	To be announced
Taiwan Post Co.	To be announced
Bank of Taiwan Co.	2008
Central Trust of China Co.	2008
Land Bank Co.	To be announced

Source: CEPD, 2007: Tables 1, 2 and 3.

The features of the enterprises in the first list are noteworthy. Most of the enterprises in Table 5.1 were attractive either in relation to operational profitability or their estate asset value on paper (except Taiwan Motor Transport Co., Chung-Hsing Paper Co., and Taiwan International Shipbuilding Co. which were in financial deficits). All of them faced market competition. Profitability of these enterprises could attract private capital and, therefore, their privatisation was relatively straightforward. Some have argued that the first list was the most favourable for privatisation (Chang, 2002: 85). Nonetheless, the progress of their privatisation was slow and often delayed. Up to the end of 2007, 13 state-owned enterprises (SOEs), most of which were monopolistic, were still waiting to be privatised. Among these was the Taiwan Railway, which still operates as a state-owned part of the government administration. The reasons for the delay in privatisation are explored below.

First, it is evident that the formation of the privatisation policy in Taiwan was mainly driven by international forces, and the KMT, as the major policy-maker, was not so enthusiastic about the implementation of the policy. As one researcher observed:

In 1989, the Central Government was merely in charge of making the policy and providing policy guidelines for other Ministries [the competent authorities of the public sector] to carry out privatisation.

However, different Ministries did not generate common consensus in terms of privatisation goals, directions and methods. ... Privatisation was thus delayed because of uncertainty (Huang, 2002: 24).

In view of the above, therefore, the publication of the first privatisation list in 1989 and the amendment of the Privatisation Act in 1991 could to some extent be regarded as a means to deal with external as well as internal pressures. Not until the reshuffle of the Cabinet in 1994 and the new Premier incorporated the privatisation policy into his three major administrative guidelines was there an increase in moves towards privatisation (Huang, 2002: 24). This indicates that the KMT government lacked determination to fully implement the privatisation policy. This also implies that the KMT government regarded the policy as a political instrument to reinforce party interests. In view of this, the KMT's control and domination over the Taiwanese economy was still significant.

The second reason for delay lay with the economic implications of the policy. During the first half of the 1990s, the KMT government's privatisation policy was considered as key to macroeconomic development. The privatisation goals published in 1989 reinforced this view:

- (1) To improve enterprises' decision-making power so as to increase their operational performance;
- (2) To raise money for infrastructure construction and for public investment so as to improve standards of living;
- (3) To absorb the excess market loose capital so as to ease inflation;
and
- (4) To increase counters for the capital market, and to enlarge the capital market so as to strengthen the development of the capital market (MOEA, 2007).

While the first goal was linked to market liberalisation, the rest were designed to contribute to the Treasury. Broadly speaking, the KMT viewed privatisation as an instrument to raise money, and it sought to develop a

capital market by means of privatisation of public enterprises. I argue that it was this perspective that delayed the progress of privatisation in Taiwan.

During the early stage of privatisation, due to political and economic considerations, some privatised companies (the Chinese Petrochemical Co., BES Engineering Co. and three factories of Taiwan Machinery Co.) did not benefit from market liberalisation through privatisation. On the contrary, these enterprises and factories were sold off cheaply, and workers in these privatised enterprises were made redundant or had a cut in pay and benefits (Taiwan Labour Front, 1999). As a result, in these cases privatisation benefited those capitalists who were involved in the process, and the policy also caused labour unrest. Many researchers regard the implementation of privatisation at this stage as the way in which the party-state sought to sustain its power by intentionally colluding with private capital (Wu, 1992: 177-183; see also Taiwan Labour Front, 1999 and Chang, 2002). That is to say, in a sense, privatisation of government-owned enterprises was the means by which the party-state passed its power on to capitalists who were KMT supporters and therefore prolonged its sovereignty. Accordingly, for the KMT government, the performance of the privatised companies and the issue of labour relations were not actually considered as crucial.

With regard to the issue of industrial disquiet, the government argued that privatisation was in the long-term interests of public sector workers:

..., workers' resistance is totally understandable, particularly, those who, as beneficiaries, have already enjoyed a higher wage. ..., the government ... has endeavoured to compensate their [financial] loss. ... Workers must acknowledge, however, that if enterprises do not adjust themselves quickly to the fast changing environment, in the longer term, their future development will be at risk (CEPD, 2005).

In 1996, the KMT government set up the *National Development and Advisory Commission*, partly as a response to privatisation problems. In one of its conclusions, the Commission stated that privatisation of government-owned enterprises should be completed by 2001 (CEPD, 2004: 27). Based on

the consensus reached by the Commission, the KMT government therefore expressed its determination to complete the privatisation programme by amending privatisation purposes as follows:

- (1) To adjust the role of the government so as to bring market mechanisms into full play; and
- (2) To open market competition so as to better utilise resources (MOEA, 2007).

According to these amended privatisation goals, the government not only refocused its attention on pursuing industrial efficiency but also re-examined its leading role in this regard. Equally important was that the government actively touched upon the problems of labour relations in the privatisation process. The government encouraged workers to participate in the operation of privatised companies by becoming shareholders (MOEA, 2007). This change in government attitude and associated modifications to the privatisation process proved to be effective in minimising workers' as well as unions' resistance. Some cases, notably, Chung-Hsing Paper Co., Taiwan Motor Transport Co. and Taiwan Railway Freight Co.¹, were privatised by the employee-buy-out (EBO) scheme. After the change in government approach, the implementation of privatisation accelerated, as shown in Tables 5.1 and 5.2.

Although the government began to consider the issue of labour, workers' fear of being made redundant remained. Taiwanese public sector employees in particular had at that time and still have three common features – seniority, above-average wages and benefits, and highly protective employment. The privatisation policies largely undermined public sector workers' interests. It was therefore not surprising that the announcement of radical implementation of privatisation in 1996 became a catalyst pushing public sector unions to oppose the policies. In the process, unions developed more sophisticated

¹ Taiwan Railway Freight Co. was privatised not because of financial losses but because the government believed that this company should not be run as a government-owned enterprise any more. Therefore, in order to make privatisation acceptable to workers, the government sold off this company to incumbent workers by the EBO scheme.

ways of questioning the policies, particularly the formation of union coalitions. Such coalitions were formed between a number of public sector unions to address the challenges of privatisation (as explained in Chapter 3).

The formation of these union coalitions seemed initially not to cause the ruling KMT too much trouble. The trend carried on even after the change in ruling party in 2000. The newly elected ruling party, the DPP, redrew and simplified aims of the privatisation purposes so as “to exert the market mechanism, and to enhance the operational efficiency of enterprises” (Article 1, the Privatisation Act). The DPP government further stated:

While there have been different policy goals at different stages, privatisation is not an end in itself but liberalisation. The government has an obligation to adjust its role, to lift regulations for the public sector, and to make the public sector more viable for the future (Hu, 2005: 22).

The DPP government redefined the goal the government intended to pursue through privatisation. It seemed that the DPP government tried to win over the public sector workers as well as unions, but at the same time to marginalise their capacity. Moreover, the DPP government also guaranteed that workers’ rights and benefits would not be altered too much and would be compensated generously. However, the DPP government’s effort in this regard was not successful, because the tension between the government and the independent public sector unions remained. In addition, a number of independent public sector unions were able to apply more sophisticated means to resist these policies.

To sum up, the Taiwanese state used established means of political control to facilitate the capitalist model of economic expansion within which the authoritarian party-state system and the New Right ideology were both grounded. Under this particular state development strategy, the formation of a privatisation policy and its preliminary purposes derived more from political considerations than economic ones (Chang, 2002). For the KMT government during the early stage of privatisation, the policy was

implemented to generate money for the Treasury. Further, the policy was initiated to pass resources over to those capitalists who supported the party-state regime as a means to sustain the KMT's declining power (Chang, 2002: 54-58 and 107-109). However, for the opposition party, the DPP, the main rationale for initiating the policy was to diminish the connection between the public sector and the party-state, to marginalise the KMT's power over politics and the economy (Chen *et al.*, 1991). Although the rationales of the KMT and the DPP were seemingly contradictory, what was clear was that whatever the ultimate purposes of the two major parties, privatisation policies remained a key focus. The outcome of privatisation was contradictory; the role and function of trade unions were shaped in the face of privatisation, so was their bargaining capacity.

To explore these developments, we need to consider the political, institutional and legal contexts in which unions operate. These contexts set the scene for the limits and possibilities of unions in the face of privatisation. For instance, according to the Labour Union Law: "only one labour union shall be organised by workers of one and the same industry in one and the same area, or in one and the same factory or workshop" (Article 8). In addition, workers have the "right and obligation to join and become a member of the union for the industry or craft in which they are engaged" (Article 12). This implies that union membership is compulsory and thus the union density of trade unions is high, even after privatisation. For instance, the union density in the Taiwan Railway was 97.76 per cent in 2006. Even in the privatised Chung-Hwa Telecom Company, union membership is still automatic. Most importantly, having experienced and engaged in independent labour activity in the late 1980s, these public sector unions became independent and were led by more active leaders.

The government nonetheless attempted to introduce privatisation as a way of realising specific economic goals associated with the neo-liberal agenda it was promoting. The main issue here is that the impact of these policies varied between public bodies, so that some prospered in this new situation while others found the demand of the market somewhat daunting. It has

frequently been argued (and documented) that opposition to privatisation was grounded in the prospect that there would be a diminution of terms and conditions of employment (Fairbrother *et al.*, 2002). However, in the Taiwanese context, and against the background of the party-state, trade unions tended to be optimistic about their prospects, and believed that the public body was likely to be financially viable and prosperous in the privatised setting. It is when such prospects were not evident that unions opposed privatisation. More than this, these unions began to move towards the development of a more active presence in ways that had not been evident in the past. The analysis shows that in a situation where in the past unions had been constrained and limited by political and legal arrangements, with the proposals to privatise, some unions were able to revive their agency by adopting different policy choices. The following sections will present the conditions for developing an active and independent form of unionism in the context of privatisation policies.

5.3 Changes in bargaining capacity of public sector unions

The Taiwanese government scheduled 66 government-owned enterprises into three waves of privatisation (in 1989, 1997 and 2003, respectively). These were public utilities, manufacturing, banking and insurance, transportation, and mass media enterprises. Out of 66 enterprises, thirty-eight were unionised. Of 38 unions, twenty showed no opposition (or very little concern) to privatisation (Table 5.4), while 18 strongly opposed privatisation (Table 5.5).

5.3.1 Unions that did not oppose privatisation

Table 5.4 Unions which showed no opposition to privatisation

Privatisation status Union policy	Privatised	Privatisation ongoing
Did not oppose privatisation	<p>Manufacturing:</p> <ul style="list-style-type: none"> • Long-Chi Factory Union • Tai-Yen Workers' Union • China Steel Workers' Union • Tao-Yuan Factory Union <p>Banking:</p> <ul style="list-style-type: none"> • The Farmers' Bank Workers' Union • Chiao-Tung Bank Workers' Union • Taiwan Cooperative Bank Workers' Union • Chang-Hwa Bank Workers' Union • The First Commercial Bank Industrial Union • Hua-Nan Bank Industrial Union • Taiwan Business Bank Industrial Union • Bank of Taipei Workers' Union • Bank of Kaohsiung Workers' Union <p>Transportation:</p> <ul style="list-style-type: none"> • Yang-Ming Marine Transport Workers' Union • Taiwan Railway Freight Workers' Union <p>Others:</p> <ul style="list-style-type: none"> • Liquid Petroleum Gas Supply Union 	<p>Manufacturing:</p> <ul style="list-style-type: none"> • RSEA Engineering Industrial Union <p>Banking:</p> <ul style="list-style-type: none"> • Bank of Taiwan Workers' Union • Land Bank of Taiwan Workers' Union • Central Trust of China Workers' Union

As indicated in Table 5.4, those trade unions that did not oppose the privatisation policy mainly operated in industries with strong finances (except Long-Chi Factory, Tao-Yuan Factory and RSEA Engineering Co.) and where market competition was the norm. Clearly these industries required more flexible managerial strategies to respond quickly to the market to expand business (Wong *et al.*, 2002). The companies' future economic prosperity was the main concern for both management and trade unions. In one sense, deregulation through privatisation created more efficient and adaptable conditions for enterprises to compete freely with their counterparts and to sustain their businesses. Therefore, as long as employees' working conditions, pay and employment could be guaranteed (partly because of the financial surplus), unions and employees tended to adopt more positive attitudes towards privatisation (National Treasury Agency, 2004: 5-7). These processes took place, for example, via the settlement of collective bargaining with new employers, in association with generous financial compensation given by the government (e.g. *The Privatisation Act*). Trade unions, therefore, generally speaking, chose not to oppose privatisation under the conditions that: (1) the agency of unions and their bargaining capacity would not be weakened; (2) employee interests and employment conditions would not be affected; and (3) the companies would have bright prospects and competitiveness. Under these circumstances, industrial relations within these privatised enterprises were less problematic.

The bargaining capacity of unions of this kind remained effective. This was mainly because these unions had completed collective bargaining agreements before or after privatisation with new employers, through which members' working rights and benefits as well as the union bargaining position and representativeness were largely secured. Further, the government announced in 2003 that "as long as the government takes hold of more than 20 per cent of total shares of the privatised companies, there will be at least one labour director representing the government on the board" (Executive Yuan, 2003). The labour director, regarded as the labour representative on the board of directors, will be nominated by the union or elected by union members. This "industrial democracy" scheme in conjunction with the effect of collective

bargaining agreements largely secured bargaining capacity for those unions within the firms.

5.3.2 Union opposition to privatisation

A different pattern was observed when unions adopted a hostile attitude towards privatisation. Union bargaining capacities varied in the run-up to privatisation. In some cases, their bargaining capacity had been reduced (even exhausted) by the attempt to oppose privatisation through the use of strike, lobbying and petition against the policy. Other unions surprisingly became stronger as they opposed privatisation. This raises the important question of trade union *agency* and the way in which this relates to, and is shaped by, structural characteristics of the firm, the industry and the market. This was particularly significant given the economic goals pursued by the government through a privatisation policy. Although the rationale for privatisation could not completely rule out the pursuit of political intentions (Veljanovski, 1987), economic considerations still comprised the main reasons for the privatisation project. To further develop the analysis, it should be noted that the economic goals of privatisation were decisive for the ways in which unions responded to these developments. One stated goal of privatisation is to pursue efficiency in the public sector (*financial considerations*) through increasing market competition (*market status*). As such, the bargaining capacities of the different public sector unions were deeply affected by the market as well as financial status of the firms in which they operated. Nonetheless, other factors remain important, such as political and institutional aspects and union leadership, as will be argued.

Table 5.5 shows the allocation of trade unions who opposed privatisation in a two by two grid in accordance with *market structure* (non-monopoly or monopoly), and *financial status* (deficit or surplus) of the firms in which trade unions operated. Four different types of unions are identified.

Table 5.5 Economic context of trade unions by the end of 2006 ⁽¹⁾

Market Structure Financial Status	Non-Monopoly ⁽²⁾	Monopoly
Deficit	<p style="text-align: center;">Type I Union</p> <ul style="list-style-type: none"> • Taiwan Motor Transport Workers' Union • Chung-Hsing Paper Workers' Union • Taiwan Shipbuilding Industrial Union • Taiwan Fertiliser Workers' Union • Taiwan Machinery Workers' Union • Tang-Eng Workers' Union • Sulphuric Acid and Ammonium Workers' Union 	<p style="text-align: center;">Type IV Union</p> <ul style="list-style-type: none"> • Taiwan Railway Labour Union • Aerospace Industrial Development Co. Workers' Union ⁽³⁾
Surplus	<p style="text-align: center;">Type II Union</p> <ul style="list-style-type: none"> • Chung-Hwa Telecom Workers' Union • China Petrochemical Workers' Union • BES Engineering Workers' Union • Taiwan Petroleum Workers' Union • Confederation of Trade Unions of Taiwan Tobacco and Liquor • Taiwan Provincial Confederation of Sugar Workers' Union 	<p style="text-align: center;">Type III Union</p> <ul style="list-style-type: none"> • Industrial Workers' Union of Taiwan Province Water Supply Corporation • Taiwan Power Labour Union • Chung-Hwa Post Workers' Union

Note:

- (1) Economic context means the situation of the firms in which the unions were operating by the end of 2006 or the situation in which the unions were operating in the run-up to privatisation.
- (2) Non-monopoly includes oligopoly.
- (3) One of the main trades of Aerospace Industrial Development Co. (AIDC) is designing and producing aeroplanes, particularly for national defence purpose; this part of the business is still in monopoly.

As noted, the Taiwanese government deregulated most markets by encouraging private competitors, in the hope of introducing competition-induced performance. As a consequence, some industries began to show signs of financial difficulty (Type I Union). However, because of the preconditions of the existing economic scale and/or the position of the franchise, some firms' finances did not run into the red when their markets were opened up to competition (Type II Union). Some of these enterprises remained in public hands as the state saw little gain (economically or politically) in open competition for these industries (Type III and IV Union). In the following sections, these aspects will be discussed and demonstrated by examples.

Type I Unions: bargaining capacity shrinking

The Type I Category of union operated in industries facing market competition from domestic and/or foreign competitors. At the same time, these industries were generating financial deficits which were difficult to reverse. The main purpose of privatisation for these companies was to reduce the government's financial burden and introduce efficiency and effectiveness through a change in ownership. The bargaining leverage of Type I Union appears to have been undermined significantly because of firms' weak industry and market structure. These unions attempted to organise labour actions against privatisation but were defeated. In some cases, union officials in this category campaigned against each other (Taiwan Labour Front, 1999). Therefore, the unions usually showed a limited capacity to resist employers and the government.

In other cases, unions were even forced to support privatisation to secure the majority of members' interests and the right to work. For instance, the Chung-Hsing Paper Workers' Union and the Taiwan Shipbuilding Industrial Union were initially hostile to privatisation, but their actions were to no effect. When both companies' finances continued to deteriorate, they were forced to change their attitudes and began to show no opposition to

privatisation (Lin, 2001). In the Taiwan Shipbuilding Co.'s case, the Taiwan Shipbuilding Industrial Union was forced to accept the *Rehabilitation Plan* in order to save the company from bankruptcy (*United Daily News*, 21/03/2001: 21). This Plan was initiated to make the company profitable in order to attract private capital involvement. According to the Plan, more than 2,300 employees, equivalent to 45 per cent of total workers, were made redundant, while pay was cut by 35 per cent for those who chose to stay (*United Daily News*, 21/03/2001: 21). The shipbuilding union even admitted that "privatisation is the way in which the company must go" to survive (CEPD, 2004: 132). For this reason, the shipbuilding union was divided into two factions: those for and against privatisation (*United Daily News*, 28/12/2001: 20). Needless to say, it is difficult to see unions of this kind playing an adequate role in defending their members' interests in the run-up to privatisation, as well as in the aftermath of defeated strike action.

Taiwan Motor Transport Co. Ltd. (TMT) and its union provides another example of this process. The TMT was one of the biggest loss makers, second to the Taiwan Railway. The government believed that its financial losses were caused by excess staff. Therefore, a large number of workers were made redundant before privatisation was implemented. The idea that redundancy was the only way to save the company had a significant impact on union bargaining capacity. The redundancies were supported by the union because union officials were convinced that they were a necessary step to save the company from bankruptcy (Change, 2002). Between 1987 and 1996, three waves of redundancies reduced workers by 9,550, from 14,250 to around 4,700 (Chang, 2002). Nevertheless, after these waves of redundancies, the company's financial deficits did not improve and it was privatised.

In this context, the union organised anti-privatisation strikes. The TMT union's actions against privatisation were regarded by government officials as hostile and aggressive (Chang, 2002), and were unlikely to be successful as there were already competitors in the market. The government viewed privatisation as a solution to financial deficits and union opposition. It

therefore asserted that privatisation of the TMT would go ahead (Lee, 2001).

As a former TMT union Chairman in the run-up to privatisation recalled:

We went on strike [against the privatisation policy], but the government basically had no fear of our action ... because first, there were already abundant substitutes in the market; second, we lacked experience; and third, the union and the workers were divided by the employer. ... When we were arguing with the government through union actions, the government, instead of negotiating with the union, directly negotiated with some union officials who were pro-employer and employees who showed cooperation in this regard and promised to provide them with better benefits after privatisation. ... The union cannot rebel against the employer. ... We, by nature, are an unprivileged group (interview, 04/06/2006).

Bypassing the agency of the union was successful partly because the union had been discredited in the eyes of some workers by its earlier support for the redundancy programme. The government's tactic was effective and succeeded in weakening the agency and power of the trade union. The division happened not only between workers and the union but also between union officials who could not agree on whether they should reject, or compromise with, the benefits provided by the government. As the former TMT union chairman recalled:

In my view, the most powerful weapon that the government can exert to deal with unions' rebellion is division. The TMT Union was significantly divided by the government in the run-up to privatisation. The government persuaded a number of union officials to cooperate with the employer. When these union officials publicly claimed that privatisation would be good for workers ... then the majority of workers' anxiety evaporated. This would not have happened, if union officials had stood firm against the policy collectively (interview, 04/06/2006).

In this case, the success of the employer and the government was clearly assisted by the market context and largely limited the union's bargaining capacity. The union in this privatised company remains riven by different factions. Accordingly, the role of the union is weak and marginalised. To illustrate, one former chairman, elected after privatisation, was sacked by the new employer because he attempted to defend workers' interests by accusing

the employer of a breach of the Labour Standards Law (*United Daily News*, 03/11/2007: A10).

In the context of economic conditions with strong market competition and financial deficits, employers and the government could more easily intervene and weaken the Type I Union. The bargaining power of Type I Union in the wake of privatisation was largely diminished and not strong enough to challenge employers. Although some unions had labour directors on the board (e.g. Tang-Eng Workers' Union and Taiwan Fertiliser Workers' Union), evidence shows that their bargaining capacity was undermined after privatisation. For example, after privatisation, the Taiwan Fertiliser Workers' Union admitted that they lacked the capacity to negotiate with the employer to prevent one of the company's important factories from being closed down (*United Daily News*, 08/12/2003: A6). Therefore, the bargaining capacity of Type I Union was shaped and undermined by the economic contexts of the firms in which they were embedded.

Type II Unions: intact union organisation but weakened bargaining capacity

What distinguishes Type II Category from Type I Category is the financial performance of the firms in which the unions operated. Those companies in which Type II Unions operated were financially strong. Although the market structure of these enterprises was as competitive as that in those enterprises in which Type I Unions operated, their high market shares or their franchise status made their financial performance distinctive. In this context, Type II Unions were able to oppose privatisation policies but their bargaining capacity was weakened.

As a consequence of the open market strategy that resulted in the break-down of monopolistic market structures, Type II unions found it more difficult to oppose privatisation. In some cases, such unions opposed privatisation by strike action but were defeated (e.g. petrochemical, engineering and telecom unions). Others were forced to carry on negotiations on privatisation with

employers and the government (e.g. petroleum, tobacco and liquor, and sugar unions). For example, the tobacco and liquor union undertook a survey on workers' attitude towards privatisation in 2004. With a 97% response rate, 83% of workers were against privatisation (CEPD, 2004: 108). Successful union opposition meant that the government continued to look for suitable ways to privatise them (CEPD, 2007). From this perspective, the bargaining capacity of these unions, whether privatised or not, was if anything weakened because of diminishing market leverage that unions could exercise.

Chung-Hwa Telecom Co. Ltd. and its union, the Chunghwa Telecom Workers' Union (CTWU), is a good example of this situation. Since market deregulation in 1997, the company made large profits but experienced market competition from private competitors. When the company was scheduled into the privatisation list, the CTWU strongly opposed privatisation. On 5th December 2004, the CTWU called for a general meeting for a strike ballot against privatisation. More than 17,000 members, equivalent to 60 per cent of total members, voted in support of strike action against privatisation. However, surprisingly, when the union attempted to organise a general strike on 9th August 2005, less than one thousand members participated in the action (*United Daily News*, 10/08/2005: A6). The strike was defeated and the company was privatised.

The reason why the CTWU's members took this stance may be understood as follows. According to a senior union official, the majority of union members did not go on strike because management threatened employees with poorer annual performance appraisals (which would directly affect their year-end bonuses and promotion opportunities). This union official further stressed that it did not mean that those workers who did not go on strike supported privatisation (interview, 08/03/2007). However, this explanation seems insufficient to explain most union members' lack of support for the strike, particularly because working conditions and employment would be affected after privatisation. It seems plausible therefore to suggest that the possible reason for workers' reluctance to strike was that they were more or less convinced that deregulation and privatisation would better position the

company to face market competition, resulting in better performance-related pay and bonuses. Accordingly, as long as the government guaranteed no compulsory redundancy and maintained benefits, telecom workers, instead of listening to the union and going on strike, were more likely to adopt a stance that privatisation might bring better prospects to both the company and themselves. As a result, in the absence of the majority of members' support, the CTWU's bargaining capacity was weakened. As the CTWU's chairman recalled:

I already knew that the strike called for against privatisation would fail [because of members' attitude]. I had no choice but to carry on the strike because I believed that if the strike was called off because of the fear of failure, I would not sit here [in the union office] and talk to you about this issue as a union chair. ... After the failure of the strike, we were privatised in August 2005. ... We now do not dare to organise any union activity against the employer, because we have lost our strength and capacity (interview, 26/06/2006).

The CTWU chairman indicated that privatisation had had far-reaching consequences for the union's future development. The power and capacity of the CTWU had been shrunk to such an extent that they could not confront the employer with any significant action immediately after the strike. Although a collective bargaining agreement was completed after privatisation and there are three labour directors in the board, it should be noted that none of this would have happened without the consent of the employer and the government. In other words, as emphasised by the chairman, it was not the union that made these happen but support both from the Board and the government. As the chairman stressed:

I want to give thanks to the director-general as he insisted on signing the collective bargaining agreement after privatisation. Many people had tried to persuade him not to sign the agreement with the union after the company was privatised and the union had failed on the strike. But he still agreed to do so. He is marvellous (interview, 26/06/2006).

It was not clear why the Board had agreed to sign the agreement, but what was clear was that, because of this, the union chairman was re-elected in

2006, even though the strike he organised ended in failure. This successful re-election meant that the union remained accepted by its members as the representative of the workers and thus had the capacity for renewal in the future. The chairman stated:

Although we lost the strike on opposing privatisation in 2005, we still won the union election overwhelmingly this year [2006]. To be honest, I was very surprised by this success. ... This gives us one more opportunity to think about the union's future. ... Before 2005, anti-privatisation was a clear and simple goal for the union, but since we failed in that goal, we have to reposition ourselves and to transform. ... We have to find a new direction (interview, 26/06/2006).

In contrast to Type I Unions, the CTWU was left with an intact organisation and therefore in a position to possibly renew itself in the aftermath of privatisation. Significantly, union officials were reviewing their missions and deliberating how they could renew the union. It could be argued that this is a critical turning point for the union.

It is too soon to conclude that other unions of Type II will also fail in their opposition to privatisation. Moreover, it is also not clear whether workers in the three companies with privatisation ongoing (see Table 5.5) will take similar stances as the telecom workers did in the run-up to privatisation. However, what is clear from looking at unions of Type I and II is that if the market is competitive, the union bargaining capacity is diminished. As a consequence, employers and the government have a stronger hand and the possibility of achieving their goals during the negotiation process towards privatisation.

Type III Unions: strong but shrinking bargaining capacity

This union category operates in enterprises which have a variety of public service responsibilities. The government did not consider private competition in these areas until the 1990s. As far as the national economy is concerned,

the state manipulates the product price of these public enterprises in order to stabilise consumer price index and to make sure that all citizens benefit. Open competition in these industries could to some extent jeopardise these goals. However, the government has not changed its commitment to privatisation policies. Thus, it acknowledged that the privatisation programme for these enterprises must be carefully examined and reviewed but not disregarded (CEPD, 2006; MOEA, 2007). Such enterprises have therefore been corporatised so that they can gain some of the supposed advantages of privatisation. Accordingly, although Type III Unions have adopted an anti-privatisation policy, they have been forced to negotiate with employers and the government on this matter.

In comparison with Type I and Type II unions, Type III unions have a relatively strong bargaining capacity, driven by the market status of the firms in which they operate. When the financial status of these firms is taken into consideration, the bargaining capacity of Type III unions is reinforced. Generally speaking, the monopoly position of enterprises, such as postal services, has been viewed by government as a problem. However, private capital has regarded this situation as an opportunity. As one legislator clearly indicated:

When discussion of the amendment to the Postal Act was undertaken, some legislators showed great interest in deregulating or even privatising the postal delivery to let private capital share the monopolistic delivery market. I believe that behind this scenario, some consortia hoping to become involved in the business attempted to lobby legislators (interview, 22/05/2006).

The government began considering lifting market restrictions to encourage competition and improve the effectiveness of these firms (CEPD, 2006; MOTC, 2007). Such developments could threaten the bargaining capacity of Type III Unions.

Although privatisation of these firms is not a practical policy at present, corporatisation has been implemented to achieve increased productivity. In addition, the government is considering other reform strategies. For instance,

after corporatisation of the Taiwan Water Supply Corporation, the government considered further improving efficiency by contracting out some of its peripheral businesses (CEPD, 2006). The British experience suggests that “contracting-out” is an attempt to introduce an element of competition to markets which are unavoidably monopolistic by creating competition for the market rather than competition in the market (Bishop and Kay, 1989: 645). Outsourcing has been the way in which governments have introduced deregulation and *de facto* privatisation. This trend has made it difficult for the union to reject this policy because the government has long requested the company to be more financially efficient. Since outsourcing would possibly diminish the union’s representativeness, based on the current circumstances and future development, the bargaining capacity of Type III Unions, while still strong, seems to be shrinking.

Type IV Unions: strong bargaining capacity but future unknown

One feature that distinguishes the Type IV Category of union from the Type III Category is the poor financial performance of the firms in which it operates. In a sense, sustaining an industry in a monopolistic position could mean that open competition in this industry would be economically unsustainable. Moreover, financial deficits provide a limited opportunity to make a profit. Therefore, the bargaining capacity of Type IV Unions has been shaped within these two economic contexts. However, it has not been shaped in the same way as we observed in the former three types of unions where their bargaining capacity declined. The bargaining capacity of Type IV Unions is increasing and strengthening.

As discussed above, unions operating in a monopoly situation could strengthen their bargaining capacity as indicated in the Type III Category, while financial deficits could decrease the union bargaining capacity as shown in the Type I Category. However, when these two economic structures come together in one firm, the result appears to be different and striking. The bargaining capacity of Type IV Unions remains strong. The poor financial

performance of the firms in which Type IV Unions operate, in contrast to the Type I scenario, has triggered workers' sense of crisis and bound them more tightly together. These unions have opposed corporatisation and privatisation on the grounds that it could lead to redundancy and deteriorating working conditions and employment. Accordingly, Type IV Unions could benefit from these economic contexts and strengthen their bargaining capacities. Therefore, when a hostile policy like privatisation is proposed, the role of Type IV Unions normally becomes more significant than it was before.

The most significant example of this process is the Taiwan Railway and its union, the Taiwan Railway Labour Union (TRLU). Since the 1990s, the TRLU has faced two challenges — the development of a private railway company and privatisation. The government believed that by introducing these policies, the Taiwan Railway would become more market-oriented and therefore have the ability to deal with its financial deficits. However, the TRLU believed that a private parallel railway and privatisation would jeopardise the Taiwan Railway's future and would reduce working conditions and employment. One senior union official put it thus:

We do not oppose reform, but we do oppose the reform that lacks vision. ... I just have a feeling that in terms of reform, the government simply wants to abandon this financial burden, and let the railway run its course. ... In this context, we all worry about the future. If we have no confidence in the reform of the future, we would rather have the status quo sustained. ... On the one hand, the Taiwan Railway director-general insisted on carrying on with this visionless reform; on the other hand, more sadly, the government is sharing the Taiwan Railway's resources with the private high speed rail company and the Railway is gaining no benefit whatsoever from this sharing of resources by way of income. When the government's intended privatisation of the Railway and the development of the new high speed rail service happened together, the power of the union increased (interview, 05/05/2006).

It could be argued that workers' sense of crisis resulted from uncertainty about the future, and the poor financial performance of the firm. Understandably, the firm's financial deficits could lead to deteriorating working conditions and difficulties in increasing pay and bonus.

Restructuring the firm could imply more redundancies and an increase in working intensification, particularly when the firm is in severe deficit, as was the TMT's case. Driven by this thought and the inspired leadership of the union, railway workers decided to organise to defend their future.

The response by the TRLU to these government policies points to a neglected dimension in the analysis of Type IV unions. In addition to the structural position of these unions, it is also important to consider their organisational basis. This draws attention to union leadership and organisational activity. While all the unions arose out of a background of dependency on the state, the additional ingredient in the analysis is how the union realises its place as an independent union challenging state policy. This fact emphasises the importance of the varied organisational developments that may also have occurred in these unions.

The TRLU opposed the construction of the private high speed rail company and the privatisation policy. This radicalism has a number of important implications. First, it demonstrated union independence against the employer and the party-state. It also heralded a situation to its members that the existence of this independent union was no longer futile as they were strong enough to fight for their future and the right to work. Second, it reminded the government that the union was led by workers who had organised the first ever railway strike in railway history. Therefore, the union still had capacity to organise a politically influential strike. What these two implications illustrate is that railway workers provided the union with their support. This strengthened representative position and in return secured their ability to bargain successfully. As a consequence, the TRLU successfully stopped the government implementing a corporatisation policy, let alone privatisation.

However, one private parallel railway company opened to business in January 2007. This implies that the Taiwan Railway's monopolistic position in railway transport was actually broken. This could generate a negative effect on the TRLU's bargaining capacity in the future, though the consequences remain unclear. In the longer term, the future of the TRLU

with its strong bargaining capacity, secured by the monopoly status of the firm in which it operates, remains unknown. Therefore, while the bargaining capacity of the Type IV Union is the strongest, the future is uncharted territory.

5.4 Conclusion

This chapter first explored changes in the focus of the Taiwanese privatisation policy. The emergence of the privatisation policy was initially driven by political intentions, which later extended into economic policies. Against this background, Taiwanese trade unions, which had just won battles for independence against the party-state regime within the industries, took different stances towards privatisation.

An apparent paradox in trade union policy choices and behaviour was observed in Taiwan. In the face of privatisation, some Taiwanese trade unions decided not to oppose the policy. This seems paradoxical in the light of prevailing theory in relation to privatisation which emphasises the weakening effect upon trade union organisations and their bargaining powers. However, this is to ignore the different structural locations that trade unions encounter and the possibility of a variety of different policy choices within this context.

It is clear that when a privatisation policy brings positive outcomes to companies, trade unions and employees, trade unions tended to take advantage of privatisation to enhance, or at least sustain, their agency and their bargaining capacity with new employers. The consequence of such behaviour is likely to be more or less promising. However, when the implementation of privatisation causes more job losses and reductions in wages and conditions, the trade union could be expected to fight against the policy. However, the outcome here is less clear cut – some became stronger but others weaker.

The results suggest Type I Unions had the weakest bargaining capacity, shaped by non-monopoly and financial deficits contexts, while Type II Unions under the contexts of a non-monopoly and financial surplus to some extent sustained their organisation and keep their influence intact. When the market structure of firms shifted to a monopoly, the bargaining capacity of Type III and IV unions would to a large extent be sustained or even enlarged, depending on the firms' financial performance, either surplus (Type III) or deficit (Type IV).

These findings provide sufficient explanations to understand the relationship between union policy choices and changes in bargaining capacity in the context of privatisation. The results also suggest two important developments in public sector unions' bargaining capacities. First, there is a tendency to shift enterprises' market structure from monopoly to non-monopoly form. Second, following the first trend, the bargaining capacity of public sector unions in the longer term is likely to be reduced. However, a neglected factor is the organisational capacity of the union.

Among Taiwanese public sector unions, the TRLU represents the most interesting but striking case, not only because of the structural economic contexts of the Taiwan Railway in which the union operates but also because of the union leadership. The latter provided the TRLU with the ability to oppose privatisation policies. In Part III of this thesis, I will discuss the railway case in detail by looking at its history, the emergence of railway problems (Chapter 6), and the sources of railway union activism (Chapter 7, 8 and 9).

Part III

**The Railway Union and
Privatisation**

Chapter 6

The Taiwan Railway and Privatisation

6.1 Introduction

After the first north-south motorway was completed and opened to business in 1978, the Taiwanese domestic transport market underwent fundamental changes. The Taiwan Railway no longer dominated the western north-south corridor. Although the Taiwan Railway was still dominant in the railway transport market, its importance was gradually replaced by road transport in association with the booming number of private cars and coaches. As a result, the Taiwan Railway's business faced significant impacts and setbacks and its financial performance began to deteriorate. In that same year (1978), the Taiwan Railway's finances went into the red for the first time since the end of the Second World War, with a loss of NT\$257 million. This led to the long-term operational defects of the Taiwan Railway, in terms of financial and organisational structure and operational management, being revealed to the public. The Railway's problems, mainly driven by extrinsic changes in the transport market as well as intrinsic operational defects, worsened. For these reasons, the government began to implement a series of rectification and reform strategies. However, the reform process, which lasted for nearly 20 years, did not generate satisfactory and promising results and the situation worsened. This forced the government to seek a more radical and effective way to solve the problems, namely, privatisation.

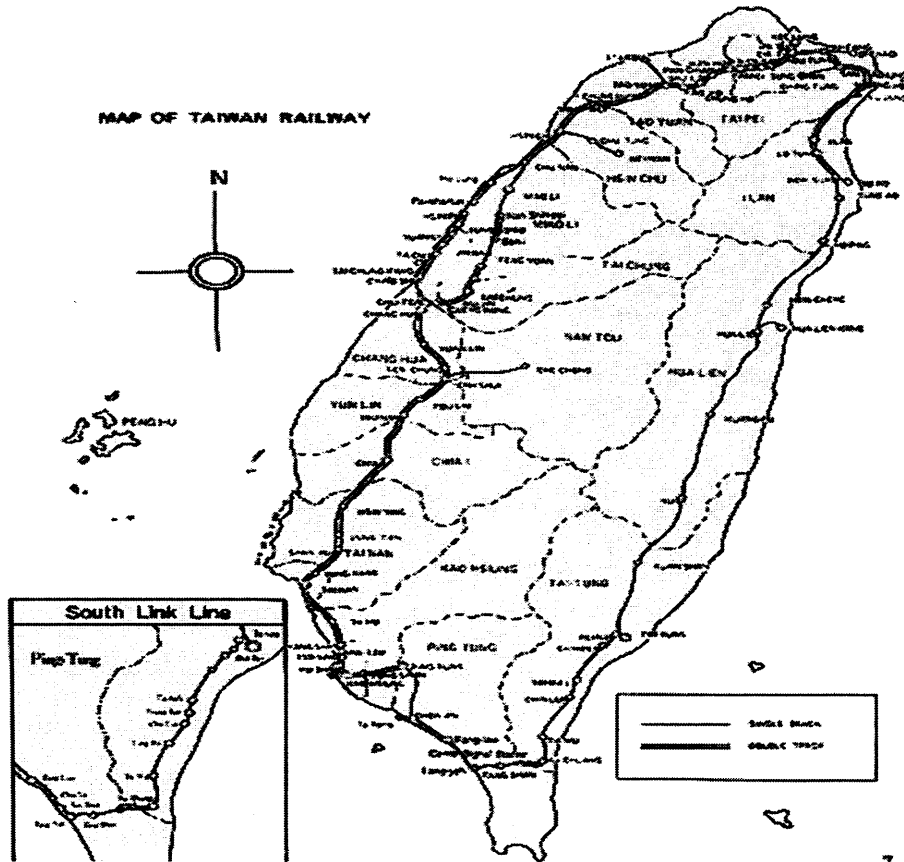
This chapter addresses this reform process through a discussion of the changing role of the state and private capital. These two roles once played a decisive part in terms of the formulation of the privatisation policies for the Taiwan Railway. Nevertheless, things changed dramatically, when the TRLU, in alliance with the railway management, began to oppose the privatisation proposals and the scheme for the "separation" of railway infrastructure and

train operations. While the state hesitated in carrying on its leading role in this matter, private capital no longer showed an interest in train operations. As a consequence, the proposal to privatise the Taiwan Railway is temporarily in abeyance.

6.2 The history of the Taiwan Railway

2007 marked the Taiwan Railway's 120-year anniversary. Unlike British Rail, which was first developed privately and then nationalised, the Taiwan Railway has been funded and operated by the public all the way through its history. The first railroad between Taipei and Keelung (28.6 km) was constructed by the Chinese Ching Dynasty in 1887 and was finished in 1891. It was then extended southwards to 78.1 km from Taipei to Hsin-chu in 1893. In 1895, Taiwan was ceded to the Japanese government as a colony because the Chinese Ching Dynasty was defeated in the Sino-Japanese War. During the colonisation period, the Japanese government began to extend the railway system simply for the benefit of political control and economic exploitation of natural resources. By 1908, the western trunk north-south railway line had been completed. In addition, the Japanese government carried on developing branch lines and the eastern line to deepen its political control and enlarge its economic resources. By the end of the Second World War, the total railway length was 911.9 km. After the KMT retreated to Taiwan, the government first rebuilt the railway infrastructure, ruined during the war, and at the same time, extended the railway network. An around-the-island railway network was completed in the early 1990s (Figure 6.1). By August 2005, the operation mileage was 1,101 km; the railway employed 13,814 workers, and there were 216 stations. Daily numbers of passengers averaged 460 thousand (MOTC, 2005).

Figure 6.1: The Taiwan Railway Network



Source: Taiwan Railway Administration, 2007

6.3 Railway problems

Although the Taiwan Railway still plays an important role in the domestic transport market, problems began to surface and trouble both the government and railway managers in the 1970s. These problems can be broadly divided into two parts: financial and organisational. The idea to privatise the Taiwan Railway emerged when other efforts by the Provincial as well as Central Governments to deal with these problems through various reform committees between 1980 and 1994 failed.

6.3.1 Financial Problems

The first problem with the Taiwan Railway became evident when finance deteriorated. The reduction in revenue can be attributed to the change in the domestic transportation market structure, insufficient railway transport capacity, fares disproportionate to the costs, and an increase in expenses.

(1) The change in the domestic transportation market

The loss of the monopolistic position of domestic transportation became a pivotal issue which turned the Taiwan Railway's finances into the red. Between 1950 and the 1970s, the Central Government's transport policy largely favoured the railway transport mode and focused on "maintaining the railway service and recovering the railway to the pre-war condition" by means of increasing the numbers of locomotives, renewing railway infrastructure, and modernisation (Chen *et al.*, 1990: 8-9). For this reason, the railway became the most important form of domestic public transport and the Taiwan Railway therefore generated a huge surplus from its monopolistic position. This period was viewed as the Taiwan Railway's "golden age" (*Economic Daily News*, 19/02/1989: 1). During its heyday, the Taiwan Railway contributed its annual profits to the Treasury of the Taiwan Provincial Government. Between 1950 and 1974, the accumulated amount of money contributed by the Taiwan Railway was NT\$1.412 billion (Liao, 1996). Generally speaking, in the 1950s, the Taiwanese transport policy restricted the development of road transport through, for instance, the restriction of the import of private cars. The aim was to nurture the domestic car manufacturing industry, to preserve foreign currency reserves, and to protect the railway industry (Chen *et al.*, 1990; *Economic Daily News*, 05/11/1976: 2; *United Daily News*, 12/08/1964: 5). In the 1960s, the development of road transport was still not a high government priority.

However, from the late 1960s onwards, at least two main drivers forced the Taiwanese government to consider the possibility of a shift of focus of transport policy from the railway industry to road transport. First, in the name of economic development, the government decided to develop road transport, particularly the motorway (*United Daily News*, 25/10/1969: 10). This idea was mainly driven by the recommendation of one American consultancy company (De Leuw Cather International Ltd.) (*United Daily News*, 16/12/1969: 2). The consultancy company's research report, which covered a wide range of analyses, including the plan of the motorway route, future estimates of transport capacity and economic benefits, strongly suggested that the existing capacity of the road system was no longer able to sustain the rapid increase in road transport. Therefore, the development of a north-south motorway was necessary in order to sustain the rapid growth of the economy (*United Daily News*, 13/10/1969: 2 and 21/10/1969: 2). Based on this recommendation and financial support from the Asian Development Bank, construction of the first north-south motorway began in January 1971 and was completed in 1978.

The second driver which made the Taiwanese government consider the development of road transport was the opening of the car market to imports. From the early 1970s onwards, Taiwan enjoyed a huge trade surplus against the US. For this reason, the US requested the Taiwanese government to open its markets and to reduce import custom duties in order to narrow the trade gap (Chang, 2002: 60). To open the car market and import cars from the US was one of the major policies to achieve this goal (*Economic Daily News*, 07/11/1977: 3). Together with economic development and the accumulation of public wealth, the increase in the number of private cars was significant. For instance, in the 20 years between 1976 and 1995, the number of cars owned per one thousand of the population increased by 11 times, from 20 to 220 cars (DEC, 1997). This caused a significant drop in the number of railway passengers. The number of railway users stood at a peak of 140 million in 1976. This number had dropped dramatically by 10 million to around 130 million in 1981. The number of railway passengers did not recover to the 1976 level until 1992 (TRA Statistics, 2006: Table 4: Status of

Passenger Traffic). The recovery of the number of railway passengers was because motorway transport capacity had reached its saturation point. Frequent traffic congestion encouraged car users to return to the railway (Liao, 1996). In the face of the decreasing trend in the number of railway passengers, the most immediate result was that the Taiwan Railway's financial performance began to deteriorate. In 1978, the Taiwan Railway recorded its first financial losses of NT\$257 million since the end of the Second World War. Since 1978, the Railway's financial performance has never recovered but worsened, even though the number of passengers has gradually gone up since 1992. In June 2005, Taiwan Railway's accumulated cash deficits stood at around NT\$87 billion¹ (MOTC, 2005).

(2) Insufficient railway transport capacity

The second factor that contributed to the decrease in Taiwan Railway's revenue was insufficient railway transport capacity. With the shift in focus of transport policy and the huge amount of money invested in road transport, the Central Government was reluctant to fund the Taiwan Railway's infrastructure renewal plan and purchase of locomotives. The Provincial Government and the Railway itself lacked the financial ability to improve and renew railway infrastructure and locomotives (MOTC, 2005). As a consequence, the Railway's operational performance, transport capacity and service quality became adversely affected by the deteriorating infrastructure, low-level of automation, and shortage of locomotives.

(3) Fare problems

A decrease in railway income can also be attributed to government intervention on fare adjustments. Passenger fare income has been the Taiwan Railway's major source of revenue. Between 1999 and 2004, annual

¹ The figure excludes the depreciation amount.

passenger fare income averaged NT\$15.7 billion, which made up 80 per cent of the total annual railway revenue (MOTC, 2005). However, despite financial deficits, the Taiwan Railway's management was not allowed to increase income by increasing fares. Fare adjustment decisions were subject to government approval and the considerations of economic stability and inflation restraint. It was believed that the rise in railway tariff could fuel inflation and affect the Railway's competitiveness. The government was therefore reluctant to allow fares to rise quickly. In addition, as part of the government's public service responsibilities, the Taiwan Railway was compelled to offer fare discounts to students, the police, the military, senior, disabled and other vulnerable citizens. The Railway was requested to fund this fare-reduction without government subsidy. Both low fare and fare-reduction schemes resulted in a significant decrease in the Railway's income.

(4) Increase in expenses

As for the problem of an increase in expenses, a number of crucial reasons were identified for this. First, personnel costs had been significantly rising because of the increase in incumbent workers' salary and retirement pensions (IOT, 1993a). Taiwan Railway's employees enjoyed a status whereby they (including those on retirement pensions) benefited automatically from general wage increases determined by the Central Government from time to time. In addition, such increases were also applied to various other benefits and payments, for instance, overtime payments. These were substantially more generous than for civil servants (IOT, 1993a). Between 1999 and 2004, the average cost of personnel, NT\$18.6 billion, took up to 94 per cent of the total Taiwan Railway's annual revenue (MOTC, 2005). Out of the total personnel costs, NT\$5.3 billion, equivalent to 32 per cent, was paid to those on retirement pensions (MOTC, 2005). By August 2005, there were 13,814 employees and 14,880 on retirement pensions. The serious problem of the heavy burden of personnel costs was therefore evident.

Apart from the problem of the increase in personnel costs, the operation of unprofitable branch lines and small stations, normally located in rural areas, also resulted in an increase in expense for the Taiwan Railway. The Railway kept operating these loss-makers to fulfil the government's public service responsibility. Of the 216 stations overall, the operational income generated from the top 60 accounted for 92 per cent of the Railway's total annual revenues (MOTC, 2005). Around 40 stations' operational income did not cover their operational costs. To close these unprofitable lines and stations seemed to be a feasible approach to reduce expenses. However, local authorities held the view that public transport was helpful in the development of rural areas. Thus they opposed the idea of closing these lines and stations (MOTC, 2005). Therefore, in addition to maintaining a low-fare policy, the Taiwan Railway also had an obligation to execute the government's public service responsibilities at great cost to itself.

In addition, in view of the shortage of funds, the Taiwan Railway depended heavily on borrowed money to deal with immediate financial crises and it had a problem of accumulated losses from previous years. This problem was exacerbated by rising interest charges (MOTC, 2005). The Railway received little financial support from the government to fund infrastructure maintenance expenses. Last but not the least, expenses for depreciation and maintenance of infrastructure and accumulated losses from previous years also resulted in an increase in costs. Although the government funded some major construction projects, for instance, putting tracks underground in the Taipei area, these projects contributed little to increase passengers and the Taiwan Railway's revenue since they were really only for the benefit of the local government's administration. Thus, the Taiwan Railway bore a heavy financial burden with higher depreciation and operation expenses, such as extra maintenance costs due to increased track length and underground utility bills. All of these factors undoubtedly deepened the Railway's financial crisis.

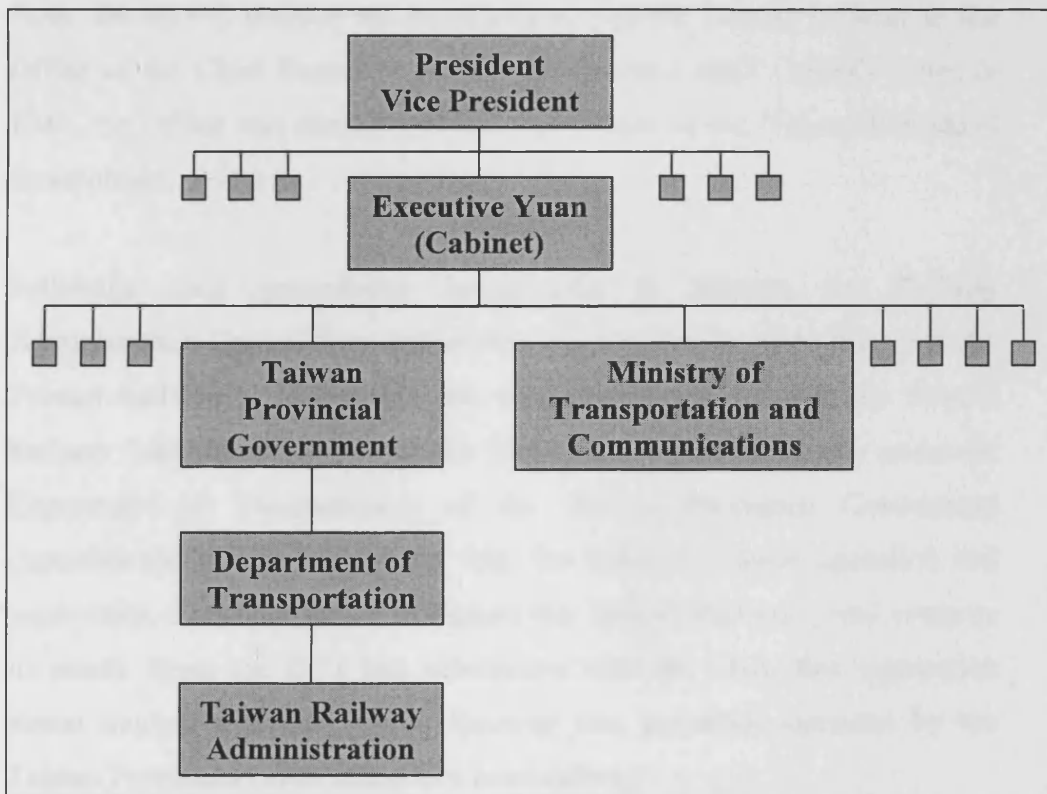
Having highlighted the sources and impact of the Railway's financial problems, the following section will discuss the Railway's second problem –

organisational bureaucracy – which concerned the government, particularly the Central Government, very much.

6.3.2 Organisational problem

The second category of railway problems arose from the fact that the Taiwan Railway’s organisational authority could not take responsibility for national railway transport. According to governmental hierarchy in the Republic of China (ROC), the Taiwan Railway Administration before 1999 was located at the third governmental level of the Provincial Government (see Figure 6-2).

Figure 6-2: Government Organisation of the ROC (Taiwan)
(Redrawn and simplified by the author)



Source: Research, Development and Evaluation Commission, Executive Yuan, Taiwan (ROC)

There had been a long standing debate as to whether the Taiwan Railway was a local railway operated and owned by the Taiwan Provincial Government, or a national railway, governed by the Central Government. After the Japanese government was defeated and surrendered in 1945, Taiwan was returned as a province of the ROC. The Central Government of the ROC established the Taiwan Provincial Executive Office as an *ad hoc* organisation to represent the Central Government. The Office was authorised with the task of registering various assets, including properties, businesses and transportation infrastructure, recovered from Japan on behalf of the Central Government. Initially, according to Article 107 of the Constitution of the ROC¹, the railways, the postal industry and telecommunications were still directly governed by the Ministry of Transportation and Communications of the Central Government (hereafter the MOTC). However, when Central Government officials on the mainland noticed that Taiwan's affairs were far beyond their reach, particularly during the Civil War against the Communist Party, the MOTC decided to temporarily entrust the Taiwan Railway to the Office of the Chief Executive in Taiwan Province (IOT, 1993a). Later in 1947, the Office was dismantled and restructured as the Taiwan Provincial Government.

Following local government restructuring in Taiwan, the Railway Administration Commission, (an *ad hoc* organisation set up to take over the Taiwan Railway in 1945), was also restructured and renamed the Taiwan Railway Administration (TRA). The TRA, a governmental agency under the Department of Transportation of the Taiwan Provincial Government (hereafter the DOT), was set up with the tasks of railway operation and supervision. The TRA began to register the Taiwan Railway's real estate as its assets. Since the DOT had jurisdiction over the TRA, this registration action implied that the Taiwan Railway was genuinely operated by the Taiwan Provincial Government as a local railway.

¹ Article 107 of the Constitution of the ROC: In the following matters, the Central Government shall have the power of legislation and administration: ... Aviation, national highways, state-owned railways, navigation, postal and telecommunication services; ...

In January 1958, the Central Government promulgated the Railway Law. Although the Law indicated that “in principle, the railways are operated by the State” (Article 3), it allowed a situation where the local government and the private sector might also develop and operate the railways subject to the approval of the MOTC (Article 31). Based on Article 31, the DOT proposed and requested confirmation about ownership of the Taiwan Railway from the MOTC in the autumn of 1958. At an Executive Yuan’s meeting in October 1958, the MOTC, in accordance with the DOT’s request, proposed that “During the martial law period, in order not to cause any upheaval, the MOTC shall continuously entrust the Taiwan Railway to the Taiwan Provincial Government for expediency”. The proposal was officially approved by the Executive Yuan of the Central Government (NCTU, 1982, quoted in Chen *et al.*, 1990: 9), thus confirming that ownership of the Taiwan Railway belonged to the local provincial government.

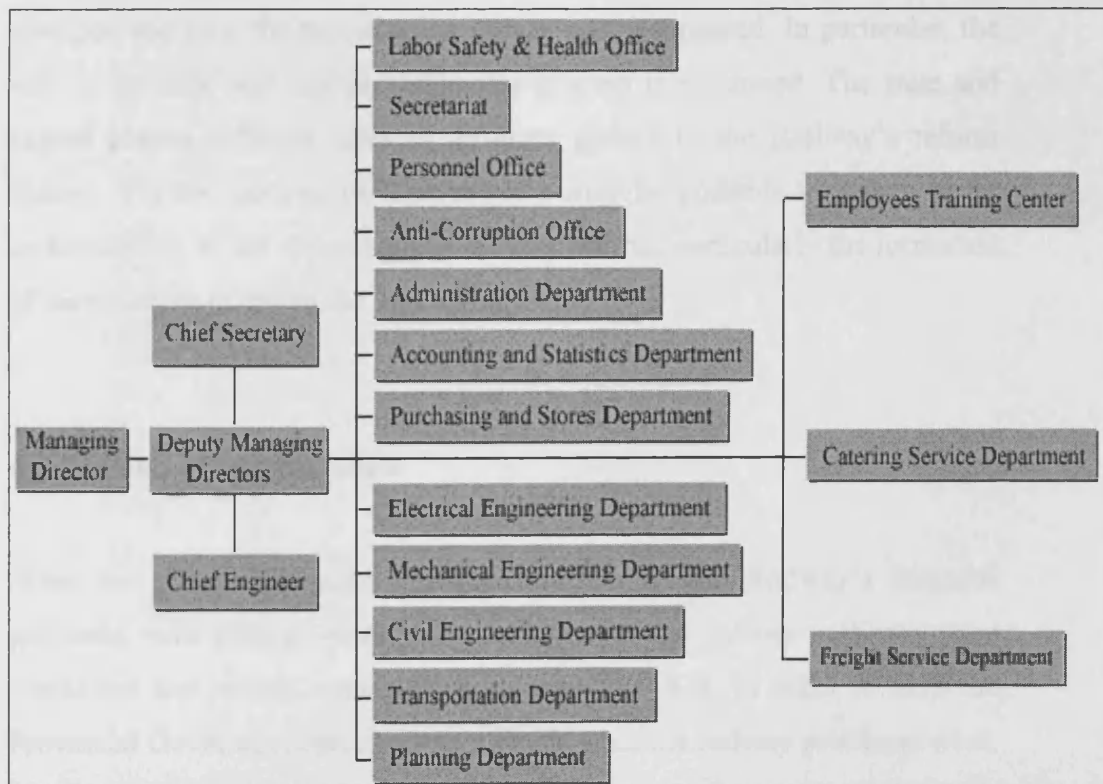
However, when the Taiwan Railway’s financial performance deteriorated in 1978, the issue of ownership became a point of controversy between the Central and the Provincial Government. A number of research reports have attributed the Railway’s financial deficits in part due to TRA’s low level in the governmental hierarchy. It has been argued that the TRA lacked jurisdiction and prerogatives to manage the “national” railway system (DEC, 1978, cited in IOT, 1993b; see also Chen *et al.*, 1990), which led to managerial inefficiencies and impacted on administrative authority. Moreover, there were too many governmental hierarchies between the TRA and decision-makers as shown in Figure 6-2, which resulted in communication difficulties. Although the DOT was the Taiwan Railway’s direct competent authority, crucial decisions, according to the Railway Law, had to be supervised and approved by the MOTC or even at a higher level (Article 4, and Articles 30-48). For instance, fare adjustment, personnel recruitment, budget, the extension of railway lines and diversification of railway businesses, instead of being agreed by the DOT, had to be approved by the MOTC (Article 37).

This arrangement largely limited and impeded the managerial effectiveness and efficiency of the Railway. Although seemingly the TRA, as the only railway specialist in the government, was an independent institution, it could not operate independently, and make decisions of its own accord, but had to be guided by the non-railway experts. As one senior railway manager sarcastically commented, “The problems of the railway are so professional that the competent authority (the former DOT and the MOTC) does not necessarily understand them” (interview, 04/06/2006). Therefore, understandably, the remedy for railway problems provided by government officials was of little avail. This organisational problem caused a number of disappointing results. While the Taiwan Railway bore heavy national transport responsibility, it was governed by the local provincial government over which the TRA had little administrative authority or managerial autonomy (IOT, 1993b). Moreover, the Provincial Government, in comparison with the Central Government, lacked the financial capacity to fund the railway’s heavy operational costs (*United Daily News*, 06/01/1984: 02). In addition, insufficient managerial authority resulted in a difficulty in recruiting and retaining talented workers (*United Daily News*, 06/01/1984: 2). In order to remedy these drawbacks, lawmakers at the central level and the railway management, the railway union and employees frequently requested a change of ownership of the Taiwan Railway from the local to central government (*United Daily News*, 21/09/1979: 2 and 06/01/1984: 2). However, this idea was rejected by members of the Provincial Assembly, because they believed that the reason why the Railway’s problems had emerged had nothing to do with ownership but with its internal organisational bureaucracy and with a structural change in the transport market. Therefore, it was not necessary to return the administration of the Taiwan Railway back to the Central Government (*United Daily News*, 18/06/1979: 2 and 06/01/1984: 2). Thus, the Taiwan Railway continued to be operated at the local level until 1999, when the Taiwan Provincial Government was streamlined and ceased to function.

Although in one sense, the Taiwan Railway is a public sector, it has been regulated as a government administration system. Therefore, the Taiwan

Railway's organisation, personnel, operation, finance, budget, and tariff decisions have been bound by various legal regulations, which have largely hindered its managerial flexibility and limited room for autonomous operations to respond quickly to market demand. Such limitations extended to the Railway's organisational structure and management. As shown in Figure 6-3, the Railway's organisational bureaucracy adopted a centralised managerial approach, which although it had some advantages, including being easy to supervise and administer, and a clear division of labour (IOT, 1993b), its disadvantages included difficulty in coordination and lack of similar operational goals between different departments; less responsive to the market; lack of managerial flexibility; and the emergence of departmental sectionalism (IOT, 1993b). These drawbacks still trouble the railway management and the government (*Taiwan Shin Sheng Daily News*, 21/06/2007: 2). Due to external and internal organisational drawbacks, it is difficult for the Railway to compete with road transport and the private high speed railway company.

Figure 6-3: TRA's Organisational Structure



Source: Taiwan Railway Administration

From the foregoing discussion of the second railway problem, the complexity of the Taiwan Railway's organisational structure is revealed, and becomes even more complex when the local and the central government were both involved. This is another reason why the central government initially hesitated in prioritising the issue of organisation (or ownership) of the Taiwan Railway. The two problems of finance and organisational bureaucracy did play a part in the government's consideration of privatising the Taiwan Railway. The government believed that privatisation would make solving these problems more straightforward. The following section explains how the policy to privatise the Taiwan Railway was formulated by looking at the role of the state and capital.

6.4 Reform strategy

Faced with the aforementioned railway problems, railway reform was voiced and received much attention from many actors. The main purposes of this section are to explore how the idea of privatisation of the Taiwan Railway emerged and how the privatisation policy was formulated. In particular, the role of the state and capital within this process is examined. The state and capital played different roles at different phases in the Railway's reform history. Via the analysis of their roles, it may be possible to gain a better understanding of the approaches to railway reform, particularly the formation of the policy to privatise the Taiwan Railway.

6.4.1 The role of the state

When the government acknowledged that the Taiwan Railway's financial problems were getting worse, several studies of the railway problems were conducted and reform strategies introduced. In 1978, in order to help the Provincial Government precisely to identify what the railway problems were, the Central Government hired Western Germany Railway Consulting Ltd.

(Deutsche Eisenbahn-Consulting GmbH, hereafter the DEC) to investigate and provide suggestions, particularly in relation to the Railway's organisation, management and finance. In its final report, the DEC identified the railway problems, mentioned above, and suggested a number of solutions. One of the solutions proposed was that the government should consider promoting the TRA to a higher governmental level, from the local to the central. Alternatively, the TRA should be corporatised as a publicly owned company to have better administrative authority and flexibility (IOT, 1993b). This was the first time that it had been suggested that the Taiwan Railway should be corporatised so as to deal with railway problems.

Having consulted the DEC, the Central Government then set up an *ad hoc Rehabilitation Commission on the Taiwan Railway (tai-tie jheng-li wei-yuan-huei)* in 1980 with the tasks of studying and carrying out the suggestions proposed by the DEC. The Commission comprised nine members, including the Governor of Taiwan Province who was the chair. Neither a senior railway manager nor a union representative was invited to become a member of the Commission.

Other members of the Commission included:

- Three representatives from the Central Government: i.e. the Deputy Minister of the MOTC, Deputy Minister of Finance, and Deputy Chairman of the Council of Economic Planning and Development.
- Two representatives from the Provincial Government: i.e. the Director of the DOT, and the Director of the Department of Finance.
- Three railway experts from academia approved by the Central Government.

However, instead of promoting the TRA to a higher governmental level and corporatising the Taiwan Railway, as suggested by the DEC, the

Commission proposed increasing operational income and improving service through rationalising the organisational structure, modernising railway facilities, reducing the number of personnel, and improving operational productivity (IOT, 1993b). These proposals actually did very little to help the Taiwan Railway because its problems continued and grew worse. These reform strategies were mainly focused on reform within the existing system, thereby the main causes of the Railway's problems were left untouched.

In view of increasing financial deficits, the Central Government dismantled the Rehabilitation Commission in 1987 and set up a new committee, the *Supervision and Control Commission on the Taiwan Railway (tai-tie jian-li wei-yuan-huei)* in 1988, to supervise and guide the improvement in railway affairs (IOT, 1993a). This new Commission was again chaired by the Governor of Taiwan Province. It comprised the same members as on the former Commission with the addition of the Deputy Chair of the Council of Labour Affairs and the Director of the Department of Labour of Taipei City. The position and role of this newly established *ad hoc* Commission resembled that of the former one. However, by the time this Commission was established, the government was busy dealing with an increasing number of labour disputes. Therefore, this Commission included government officials, who were specialists in labour affairs. Their inclusion suggested that the problem of railway industrial relations was one of the railway problems being addressed by the government. Again, however, railway management and union representatives were excluded from the composition of Commissioners.

Between 1988 and 1994, this Commission mainly focused its reform strategies on reducing operational expenses through, for instance, leaving job vacancies unfilled and streamlining unprofitable rural lines and stations and other businesses (IOT, 1993a). Notwithstanding, these reform approaches did not succeed as financial deficits kept increasing. As for the Provincial Government, as soon as the *Supervision and Control Commission on the Taiwan Railway* was disbanded in 1994, it set up an *ad hoc Review Group of the Taiwan Railway Administration Operations Improvement Plan (tai-tie*

ye-wu gai-jin fang-an shen-cha xiao-zu) with the task of carrying on the railway reform plans. This review group referred to foreign experience and finalised 51 railway improvement approaches in 1995 (Lin, 2004). However, the outcome was again disappointing as indicated by one MOTC official who revealed the government's expectation and thoughts to the press:

Reform programmes have been proposed many times by the Provincial Government for the Taiwan Railway, but no satisfactory outcome has yet been achieved. A complete solution to the Railway's problems is still awaited. We [the MOTC] do not have high expectations of the present Improvement Plan. To revive the Taiwan Railway, the most important reform direction is to conduct privatisation through the separation of infrastructure and train operations (*United Daily News*, 05/10/1994: 6).

Thus, the state attempted to solve the Taiwan Railway's problems through a number of reform Commissions and strategies which simply focused on financial issues and did not generate a satisfactory solution to help the Railway. In the face of this repeated failure, the Central Government decided to adopt a more radical approach to attain its goal. The Central Government decided to solve the railway problems through a change of ownership, that is, privatisation.

6.4.2 Formation of the policy to privatise the Taiwan Railway

Having failed so far to help the Taiwan Railway and being inspired by the earlier successful privatisation of British Rail, the Central Government decided to study the feasibility of privatising the Railway as a way to solve its problems. One legislator commented on the situation, thus:

The ways in which the government reformed [the Taiwan Railway] could not completely cure the Railway's defects, only ease the pain to some extent. The only way to cure the Railway's malaise is the implementation of corporatisation and privatisation (interview, 22/05/2006).

This respondent was a legislator (at the time of the fieldwork) and a member of the opposition party (the KMT) with ten years experience on the Transportation Committee of the Legislative Yuan. His comments reflected the Central Government's thoughts for solving the Taiwan Railway's problems, namely, corporatisation and privatisation. The Legislator indicated that the reform strategies introduced since the 1980s had not been successful because they had focused on the wrong objectives. In his opinion, only corporatisation and privatisation policy could fundamentally and effectively tackle the Railway's problems. From the late 1980s onwards, such a view became pervasive not only among government officials but also among public commentators (c.f. IOT, 1993b; *United Daily News*, 05/10/1994: 6).

The emergence of the idea that the solution for the Taiwan Railway's operational problems rested on the implementation of a privatisation policy can be traced back to the *Rehabilitation Commission on the Taiwan Railway* between 1980 and 1987. This view was also held by the public who pointed to the poor operational as well as financial performance of the majority of public enterprises (*United Daily News*, 04/08/1980: 2). One senior railway manager (who had been involved in railway reform since the time of the Rehabilitation Commission in the late 1970s onwards) recalled:

... A handful of members of the *Rehabilitation Commission on the Taiwan Railway* were convinced that the Railway should be privatised because of its ongoing financial losses. ... Nevertheless, this way of thinking was only heard in informal discussions. Members of the Commission did not come to an agreement on this issue (interview, 29/05/2006).

Basically, the legal restrictions and public service obligations that the Taiwan Railway had were the main reasons why the idea did not become part of a common consensus. According to Article 144 of the Constitution of the ROC, "Public utilities and other enterprises of a monopolistic nature shall, in principle, be under public operation. In cases permitted by law, they may be operated by private citizens." Moreover, Article 3 of the Act of Privatisation

of Government-Owned Enterprises¹ stated that public enterprises directly involved in the business of (1) national defence secrets, (2) monopoly, and (3) large-scale public utilities or for strategic purposes shall remain in public hands. Therefore, both the Central and the Provincial Government did not intend to breach laws by privatising the Taiwan Railway and other large scale public enterprises. Referring to the public service responsibilities that the Taiwan Railway bore, one Provincial Government official, commented:

... these province-owned enterprises ... bear the task of executing different public service policies . We therefore will not consider opening [these businesses] to private citizens (*Economic Daily News*, 07/11/1980: 2).

This was an official response to an increasing demand for implementation of the privatisation policy. Although discussion as to whether the government should reduce its role in the markets became pervasive, the KMT government at this stage showed no intention of changing its political and economic practices (detailed in Chapter 1).

However, from the late 1980s onwards, the idea of improving the public sector's poor services and performance via a change of ownership came to the fore. At least two factors contributed to the formation of this idea. First, the high number of industrial actions, mainly in public transportation, was described as an "infectious disease" of society and caused the public daily problems (Moore, 1988). Among these industrial actions, the Taiwan Railway train drivers' May Day strike in 1988 played a prominent role (detailed in Chapter 8). Generally speaking, railway workers' industrial disputes, whose objectives were to improve conditions and pay, gained little sympathy from the public. For a long period of time, passengers had criticised the poor rail service provided by the Taiwan Railway, but their

¹ The Act was enacted in 1953. It was amended in 1991, 2000 and 2003 respectively. In order to comply with the neo-liberal ideology, the restriction on Article 3 was lifted in Article 4 of the Act in 1991: "Where the authority in charge of the enterprise, in view of the situation, considers there is no more necessity to operate a government-owned enterprise by the government, such government-owned enterprise may be privatised after it is so proposed to the Executive Yuan and approved thereby". Based on this amendment to the Act, the legal restriction against privatisation of public utilities and large-scale business, such as the Taiwan Railway, was lifted.

complaints were basically of no avail, as unsatisfactory services continued (*United Daily News*, 02/04/1988: 9). After the May Day strike in 1988 and a number of subsequent labour movements aiming at thorough implementation of the Labour Standards Law, railway workers' conditions and pay improved. In the face of emerging labour disputes, the railway management agreed to apply the Labour Standards Law to all workers.

However, the Law's implementation affected passengers, because the policy-makers decided that "all the increased financial burden resulting from application of the Labour Standards Law shall be transferred to an increase in fares" (*United Daily News*, 20/05/1988: 11). As a consequence, rail fares were raised by around 32 per cent (*United Daily News*, 19/05/1988: 3). Passengers were upset. They thought that public sector employees were already benefiting from better pay, conditions and secure employment than the majority of workers in the private sector. Therefore, they became more sympathetic to the idea of introducing market competition so as to improve railway service quality and to reduce fares (*Economic Daily News*, 15/05/1988: 2).

The second factor contributing to privatisation in the late 1980s was the success of railway privatisation in Japan. The Japanese National Railway (JNR) had once been the biggest loss-maker among Japanese public enterprises¹. However, this serious financial problem was overturned when the Japanese government privatised the JNR in 1987. The JNR was privatised into six passenger railway companies and one freight company. Since the Japanese government took over JNR's financial debts as part of privatisation programmes, from 1988 onwards, the privatised Japanese Railways have become profitable. Although three passenger companies, located in three smaller islands, respectively, still receive government's subsidies (Imashiro, 1997; Okano, 1994), the Japanese experience had been viewed as successful and influenced Taiwanese academics and the public

¹ In 1985, the accumulated debts of the JNR were as high as ¥25 trillion, which was similar to the sum of national debts of a number of developing countries at that time (Imashiro, 1997: 51).

who urged the government to follow suit in order to solve the Taiwan Railway's financial and service problems (*Economic Daily News*, 02/07/1988: 10; see also Chen *et al.*, 1990 and Tseng, 1991). Research into the Railway's problems at this stage generally referred to the Japanese experience and it was suggested that the future of the Taiwan Railway rested with the implementation of privatisation (Chen *et al.*, 1990; Tseng, 1991).

From that time, the issue of the privatisation of the Taiwan Railway was discussed extensively. The Central Government, in view of the plight of the Railway and the success of the Japanese case, consulted business representatives about the possibility and feasibility of the sale of the Taiwan Railway in the late 1980s (*Economic Daily News*, 19/02/1989: 1). However, there were two reasons why capital showed little interest in investing money in this loss-maker. First, the idea of privatising the Taiwan Railway was still under-developed in Taiwan (*Economic Daily News*, 19/02/1989: 1). Second, the Taiwan Railway's operational costs, particularly those related to retirement pensions and the huge annual infrastructure maintenance costs, meant that private capital had little interest in running the Railway (IOT, 1993b). In addition, since private capital would be less likely to buy the Railway because of its bleak future due to the imminent completion of the mass transit system in the Taipei area, the Provincial Government was reluctant to place the Taiwan Railway on the privatisation list (*Economic Daily News*, 28/04/1991: 6). At the same time, despite much published influential research urging the government to consider privatisation for the Railway (e.g. Chen *et al.*, 1990; Tseng, 1991), the Central Government did not propose railway reform primarily because the Taiwan Railway was still under the control of the Supervision and Control Commission on the Taiwan Railway which was under the leadership of the Provincial Government.

However, the situation changed from 1993 onwards. The Institute of Transportation (IOT, an official think-tank to the MOTC) published two important research reports on the Taiwan Railway (IOT, 1993a and 1993b). Referring to railway reform experiences both in Europe (France, Spain, Italy, Germany, Sweden and Britain) and Japan, the IOT suggested that the

“separation” of railway infrastructure and train operations should be considered (IOT, 1993b). One of the IOT’s reports stated:

If the Taiwan Railway is still maintained and managed within this existing organisational structure (i.e. owned and operated by the Province) it would be extremely difficult to turn its financial deficits into surplus. ... Under this structural limitation the Railway’s problems could no longer be dealt with by any reform plans.... Having considered the development trend in foreign railways, ..., the Taiwan Railway should move towards the separation of operations and ownership (i.e. ‘publicly-owned but privately-operated’) in which train operations would be privatised (IOT, 1993b: 136-137).

The rationale for introducing privatisation through the notion of “separation” was as follows. The IOT was convinced that privatisation would help the Taiwan Railway to improve its administrative efficiency, operational autonomy, finance and other problems, such as labour force excess (IOT, 1993b: 138). Although the reports did not provide concrete procedures and methods as to how to privatise the Taiwan Railway, they set the parameters for the privatisation debate. From that time henceforth, the idea of separating the railway infrastructure (owned by the public) from train operations (owned by private capital) and the concept of ‘publicly-owned but privately-operated’ services became core ideas. Further, the publication of these reports also implied that the Central Government had shifted its attitude towards the reform of the Railway from passive to active and gradually took on the dominant role that the Provincial Government had been playing over the Railway. From 1993 onwards, the idea of solving the Railway’s problems through privatisation was revived. The Central Government was even convinced that no other means could revive the failing Taiwan Railway, only privatisation via the notion of “separation” (*United Daily News*, 05/10/1994: 6). It could be argued that, to a large extent, it was private capital which showed an interest in the “separation” scheme that stimulated the government to move in that direction.

In this regard, it is important to consider the role of capital in relation to the formation of the idea as to how to privatise the Taiwan Railway. Although

initially the idea of “separation”, according to IOT reports, was primarily driven by European experiences, private capital in Taiwan subsequently appeared to support the scheme. But why was Taiwanese private capital interested in the idea of “separation”?

6.4.3 The role of private capital

As argued in previous chapters, successful implementation of a privatisation policy depends on interest from private capital. Therefore, without sufficient and adequate incentives provided by the state to attract private capital, privatisation either through the scheme of selling off the company as a whole or floating shares in the City will be difficult to promote. This is particularly the case when those public enterprises that the government wants to privatise have poor financial performance, as was the case with the Taiwan Railway. Although the role of private capital was weak in the railway case, it did initially play a role in consultations when the government was formulating the privatisation policy for the Railway.

It was argued in the IOT reports that the Taiwan Railway had borne too many unnecessary operational and financial burdens (IOT, 1993a and 1993b). In order, therefore, to ensure that the Railway was profitable after privatisation, the removal of those financial burdens and clarification of operational responsibilities would be necessary. It was hoped that the “separation” scheme would make the Taiwan Railway financially attractive to private capital and thus make privatisation easier. In other words, the government realised that whether the Taiwan Railway was to be sold off depended on capitalists showing an interest in buying the Railway. In this regard, the role of private capital became significant in the policy-making process.

As early as the late 1980s, when the government was studying the Railway’s reform, capitalists were consulted more than once about their willingness to

become involved in the Railway's business, although no concrete suggestions were made. After the publication of two research reports in 1993 introducing the idea of "separation", at least two Taiwanese private consortia showed an interest in operating train services. One was the *Formosa Plastics Group* and the other was the *Evergreen Group*. Profiles of these two Taiwanese private consortia are presented below.

Formosa Plastics Group

President: Mr. Yong-ching Wang

Year of establishment: 1954

The Formosa Plastics Corp. was founded in 1954 by Yong-ching Wang in Taiwan. Wang extended his business into chemicals & fibres and petrochemicals. Many of the subsidiaries of the Formosa Plastics Group are public stock exchange companies. The Group is one of the top two Taiwanese private consortia with the highest annual turnover in Taiwan.

(Source: Formosa Plastics Group)

Evergreen Group

President: Dr. Yung-fa Chang

Year of establishment: 1968

Evergreen Marine Corp., one of the world's famous shipping companies, was founded in 1968 by Yung-fa Chang in Taiwan. The business territory of the Group has since enlarged to 57 subsidiary companies, including civil aviation, road transport, construction, catering, electronics, and so on. Five of its subsidiaries are public stock exchange companies. The Evergreen Group is the largest Taiwanese owned transport consortium.

(Source: Evergreen Group Stock Service; China.com)

These consortia attempted to lobby the government on the grounds of saving the Railway. As reported in the press:

Yong-ching Wong, the President of the board of directors of the Formosa Plastics Group, suggested to the Provincial Government officials that in order to restore life to the dying, the Taiwan Railway should be privatised completely or operated as an industry whereby its infrastructure was owned by the public but [its train operation was] operated by the private sector [that was the idea of "separation"]. ... He thought that the Taiwan Railway's financial deficits could not be solved unless it was privatised. He further emphasised that this would be beneficial for the Railway and

should be done as early as possible. ... The Formosa Plastics Group had a great interest in operating railway freight transport. ... The governor of the Provincial Government affirmed its interest and requested the Department of Transportation to study the feasibility of taking its interest further (*Economic Daily News*, 26/12/1995: 3).

Commenting on the role of capital in railway reform, Chang, the former TRLU Chairman, stated:

Yong-fa Chang, President of the Evergreen Group, pressurised the MOTC to let the Group operate the domestic rail freight business. ... As a matter of fact, both the Formosa Plastics Group and the Evergreen Group ... wanted the right to operate [train services]. That was why the government had introduced the notion of “separation”. It had learnt from the British case, that it could operate [train services] by leasing the right to gain access to the infrastructure from the infrastructure owner (that is the government) at a relatively cheap rent. ... Therefore, introduction of the “separation” notion mainly came from on the one hand the British experience and on the other, the interest of these consortia (interview, 06/04/2006).

Thus, the interest of private capital in the Taiwan Railway reinforced the notion of its “separation” as revealed in further research reports. One report published by the IOT in 1996 presented a clear and unambiguous procedure as to how to privatise the Taiwan Railway through the “separation” scheme.

Having referred to foreign experience and assessed the Taiwan Railway’s problems, the Railway’s reform should be handled in accordance with the following principles. ... To promote the separation of infrastructure and train operations so as to clarify management responsibility. Train operations, under the principle of market competition, should be managed as a business organisation to improve service quality and transport effectiveness. At the same time, the government should take full responsibility for the heavy financial investment in the Railway’s infrastructure construction and renewal. The idea of separation has been a railway reform model adopted by many countries. ... This is a correct reform direction [for the Taiwan Railway] (IOT, 1996: 6-2).

Obviously, the core idea behind this plan was to reduce financially the burden of operational costs so as to make the Railway more financially attractive to private capital. The principal technique to achieve this goal was

to shift heavy infrastructure maintenance costs from train operators to the government. The IOT planned that the Taiwan Railway should be separated into two companies: one to be a publicly-owned Taiwan Railway Administration, responsible for infrastructure maintenance and investment, and the other to be a privately-owned Taiwan Railway Co., responsible for train operations and other business (IOT, 1996). In addition, in 1997, the DOT delegated one private consultation company, THI Consultants Inc., to study how to privatise the Taiwan Railway. The final report was not only an 'initial plan' as to how to privatise the Taiwan Railway but also an 'action plan' specifying clear procedures for the Taiwan Railway's privatisation. Again, the report suggested that the Taiwan Railway should be privatised through "separation" (THI Consultants Inc., 1997). Having referred to these two influential reports, a *Committee for Promoting the Privatisation of the TRA (tai-tie min-ying-hua tuei-dong wei-yuan-huei)* was set up by both the DOT and the TRA in 1998. Representatives from the TRLU were excluded from the Committee. In the same year, the Central Government also announced that the privatisation of the Taiwan Railway should be completed by June 2002 (DOT, 1999; *Hansard*, 2000). In order to achieve the privatisation goal, the Taiwan Railway and the DOT decided to corporatise the Taiwan Railway by June 2000, prior to privatisation (DOT, 1999). It should be noted that, at this stage, privatisation was an end in itself for the Taiwan Railway. The idea of corporatisation was simply an interim measure, which was not emphasised, suggesting that implementation of the corporatisation policy was to lead to the privatisation of Taiwan Railway.

In the course of studying the way in which the Taiwan Railway was to be privatised, a number of core members of the *Committee for Promoting the Privatisation of the TRA* consulted the opinion of private capital on the policy to privatise the Taiwan Railway, further strengthening the argument that the government took into consideration business interests' expectations before setting about separating infrastructure and train operations. A former DOT official, who was directly involved in the planning process, recalled:

We [the Director of the DOT and Provincial Government officials] had consulted [about the idea of privatising the Taiwan Railway] with the President of the China Development Industrial Bank in 1998. We invited this bank to both invest in and operate the Taiwan Railway. But the President imposed so many terms and conditions that we came to the conclusion that the bank was simply interested in operating train services not investing in the infrastructure. ... That was the main reason why we planned to separate infrastructure and train operations and intended to sell off the train operations. The idea behind this “separation” was to attract private capital (interview, 13/04/2006).

The China Development Industrial Bank, the largest commercial investment bank owned by the Taiwanese and based in Taiwan, played a different role when compared with the former two consortia. Instead of expressing a direct interest in operating the Railway and approaching the Provincial Government directly with this aim in view, the President of the Industrial Bank was invited by the Director of the DOT to invest in and operate the Railway. Having accepted the notion of “separation” with the President of the bank, a draft plan for privatising Taiwan Railway was drafted by the DOT and presented to the MOTC in 1999.

The draft plan, *The Plan of Implementing the Separation of Infrastructure and Train Operations for the Privatisation of the Taiwan Railway (tai-tie min-ying-hua che-lu-fen-li jih-sing fang-an)*, was officially introduced in January 1999. The Director of the DOT presented this draft plan to the Minister of the MOTC at a meeting held in June 1999. The Chairman of the TRLU was officially invited to the meeting. This is the first recorded occasion that the TRLU attended an official meeting in relation to privatisation. The TRLU had been ideologically and practically opposing privatisation of the Taiwan Railway since 1997 (further developed in the following chapters).

At the meeting in 1999, aware that there had been conflicts between the union and the DOT in terms of how to privatise the Taiwan Railway, the Minister officially instructed that:

the Taiwan Railway management should again negotiate and consult with the TRLU and then draft an optimal plan. This plan, when agreed between the Taiwan Railway and the TRLU, will be presented to the MOTC (MOTC, 2005: 15).

This policy instruction had a profound impact on the intended reform of the Taiwan Railway, mainly because several unexpected variables, particularly the role of the railway union and railway management, had been added to the privatisation process. Of particular note, they became key players in the process. Moreover, after the meeting held in 1999, private capital was largely removed from the debate about Railway's reform and the Railway's management and the TRLU became key players in the consideration of privatisation (further explored in Chapter 9).

6.5 Conclusion

In summary, the state initially played an influential role in the issue of railway reform after the Taiwan Railway encountered critical financial and organisational problems. However, the reform strategies did not generate satisfactory results. The introduction of the privatisation policy became the last resort for the government. Having been influenced by many published reports, and encouraged by private capital and by the successful privatisation experience in Japan, and Britain in particular, the government decided to adopt the "separation" scheme to attract private capital and make privatisation of the Taiwan Railway easier. However, private capital subsequently played a limited role in railway reform due to the emerging role of the TRLU, which forced the government to reconsider the feasibility of the "separation" scheme (see Chapters 7 and 8) and the Railway's managers acquiring a significant position in the process by forming a tacit alliance with the TRLU (detailed in Chapter 9).

Chapter 7

Union Activism in the Taiwan Railway

– its origins and development

7.1 Introduction

In Chapter 3, I examined the relationship between the Taiwanese party-state and the development of trade unionism. Under the KMT's approach to labour policy, the trade union was an organisation that was incorporated into the political process. Trade unions were manipulated by the party-state to become "an arm of administration" and a means of controlling labour (Harper, 1969: 92; Lee, 1988: 194; Lin, 2002: 4; Koo, 1987: 174). This control system was so effective that trade unions became subordinate to party-state sponsorship. The Taiwan Railway Labour Union (TRLU) is a case which was developed to fulfil the party-state's political ambitions.

However, the TRLU later became one of the most active and hostile unions in Taiwan. It developed a strong bargaining capacity not only because of the structural economic context of the Taiwan Railway in which the TRLU operated but also because of its union organisational capacity and leadership (see Chapter 5 for more details). Its transformation from dependent to independent union and the adoption of activism are interesting and noteworthy. Therefore, in order to understand how the TRLU developed into an active and independent union, and what decisive factors made this happen, we must look at the historical context of the railway union in relation to this process of transformation.

This chapter sets out first to discuss the state-sponsored railway union through the railway worker's perspective and, more particularly, that of the nascent independent leadership. The origins of the TRLU and how people

perceived the role of the union during the party-state period will be explored. Second, in the face of the TRLU's failure to represent members' interests, independent workers began to get together to defend their interests. This process first emerged in dealing with the issues of individual pay and meal problems at the shop-floor level and led to the formation of an alliance within one large workplace in the Taiwan Railway. This unprecedented experience provided a lead and inspiration to the development of a more profound workers' solidarity. Challenging the union leadership was the ultimate goal for the establishment of the independent workers' group, namely, the Taiwan Railway Workers' Fellowship (TRWF). This chapter ends with a discussion of the implications and impacts that this independent TRWF had not only on the TRLU but also on Taiwanese unionism.

7.2 Taiwan Railway Labour Union Dependency

The TRLU was established under the supervision and support of the KMT in 1947. Traditionally, the KMT exerted its power and control through party branches densely spread at regional and workshop levels. In the public sector, trade unions became an instrument of the KMT's control of workers. The Taiwan Railway was a strategic industry, not only because its predominant domestic transport function provided crucial economic assistance for recovery in the aftermath of the Second World War, but also because the majority of railway workers were traditional KMT supporters. Therefore, control of the Taiwan Railway and its workers was an undoubted consideration for the party-state.

The idea of state corporatism was utilised as a means of control over labour. During the party-state period, only KMT members could be nominated for the position of union official. The railway union thus became an instrument for accomplishing the party-state's goals. Union organisations and activities were mainly developed for these purposes. A senior railway manager, who had worked in the Taiwan Railway for more than four decades made an

interesting but pertinent judgement about the role of the Taiwanese unions in the party-state period:

In comparison with the now independent unions, all Taiwanese trade unions in the early phase were established for the use of the 'emperor' (the party-state) (interview, 07/04/2006).

What the respondent stressed was that, according to his experience and observation, the party-state took advantage of trade union organisations to fulfil political objectives. Unions were "born" to serve the party-state's requirements and less to represent members' interests. This respondent stood out among union officials for two interesting reasons. First, he was the first elected standing director of one local union branch who was not nominated by the KMT. He had been continuously active in the railway union and the Chinese Federation of Railway Workers' Unions throughout the 1970s and 1980s, an unusual phenomenon during the period of the party-state's rule. But he clearly recognised the connection between KMT membership and his own success:

Because I was also a KMT member and offspring of KMT veterans, my way of thinking and political ideology were similar to the KMT's. Therefore, my becoming a union standing director [of one union branch] did little damage to the KMT. I would not oppose the KMT in terms of idea and practice. I accepted most of the KMT's practices and principles in the Railway, apart from potential conflicts relating to problems of workers' rights and benefits. But these caused no trouble between us (interview, 04/09/2006).

His success as a union standing director of one union branch mainly resulted from his KMT background and the KMT's subsequent approval of his election. Accordingly, it could be argued that if he had not been a KMT member and deemed loyal, he might not have been accepted. The party-state still had supreme power over the union election, even over someone who had not been nominated by the KMT in the union election.

Second, this respondent was a union official who had typically benefited from the party-state system, but who had also been critical of this

arrangement. This is evident by his statement above. In his remarks, it is clear this respondent recognised the problems of workers' rights and benefits and the union's failure to represent members' interests. However, in the shadow of the party-state, he could do little but follow the common approach. This case indicates the depth of the impact of the party-state system on people, the enterprise, and the union organisation. This respondent was, as of May 2008, not only a senior railway manager but also an unofficial consultant to the TRLU because of his experience. The railway union officials called him *da-lao*¹ as a mark of respect for his contribution to the TRLU.

This senior railway manager's point of view is made clearer by referring to the former TRLU Chairman's (between 1997 and 2003) response:

There was a union but no union movements at all [during the party-state's period]. I came into the TRLU in 1991 when the KMT no longer controlled the union leadership. Before 1991, all union activities were controlled by the KMT, and all union officials were nominated by the KMT (interview, 06/04/2006).

This informant, in his mid-50s, was also an active participant in organising an autonomous workers' fellowship in the 1980s. During his term of office, he organised the 9/11 event in 2003 that successfully prevented the Taiwan Railway from being corporatised and privatised. He was one of a handful of incumbent union officials who had graduated from university. Therefore, in comparison with other railway union officials in office, his way of doing things and points of view tended to be more developed. At the time of writing, he was the Chairman of the Chinese Federation of Railway Workers' Unions.

The incumbent TRLU chairman (since 2003), in his early 50s, has been one of the most active in the Taiwan Railway. Convinced that a strike was the best solution to declare the TRLU's position and to deal with the hardship

¹ An honorific term in Mandarin which denotes acknowledgement of an individual's seniority and expertise in some issues.

that the Taiwan Railway was encountering, he was elected to put the strike resolution into effect, decided at the general meeting on 11th September 2003. Before he came into the TRLU in 1991, he had been a KMT member but had been expelled from the Party in 1990 because he had been very active in challenging the KMT's leadership of the railway union. Before the TRLU became independent, his stance was viewed as unacceptable to the KMT authority. With his election as a union official in 1991 and then Chair in 2003, he demonstrated that KMT membership was no longer a criterion for successful election. In the union election in 2003, he was the first non-KMT member to be elected Chair of the TRLU.

On the question of the role of the union, he echoed the previous two respondents' points of view:

During the reign of the party-state, what the TRLU did did not correspond with the majority of railway workers' expectations. ... When labour disputes occurred between labour and management, the role of the TRLU disappeared. During that time, the union was controlled by the Party [KMT] and the government; it was not possible for the union to make its role significant. Therefore, no active role of the union was expected by workers (interview, 17/04/2006).

What the incumbent TRLU Chairman indicated was that under the party-state's control, the railway union did not have the capacity to demonstrate its agency role in relation to workers' interests. A clear example given by *da-lao* confirmed the failure of the railway union to protect workers' conditions and pay. He recalled:

In the early period [before the late 1980s], railway workers' pay was based on the Remuneration of Workers of Transportation Affairs. While Telecommunication and Post workers received full pay, railway workers were paid discounted salaries (80 per cent of full pay). After a long struggle, eventually, we got full pay. However, it was not the union that made any effort in this alteration but the Railway director-general. The TRLU, in the early phase, was by no means useful (interview, 07/04/2006).

The reason why railway workers were paid discounted salaries was not traceable, but possibly because the TRA was located at the third level of governmental hierarchy and governed by the Taiwan Provincial Government. Under the influence of state corporatism, trade unions, in particular those in the public sector, instead of representing members' interests, became dependent and formed important instruments for control of labour for the party-state. As for the effect of democratic centralism, it created a structure whereby unions abided by party-state hierarchical rule. Accordingly, the agency of trade unions could hardly be implemented freely and independently in the context of state sponsored unionism.

In the railway case, when the party-state's power showed signs of disintegration in the face of external and internal pressures from the 1980s onwards (detailed in Chapter 3), radical workers who were opposed to the dependent role of the union, began to overtly rebel. The general pattern of the workers' rebellion process occurred as follows. The activists first initiated an informal social group at the shop-floor level. Later, this unofficial group transformed to become a bigger one with more representativeness at the regional and even national level. This informal workers' group replaced the dependent official union in representing workers' interests. Its ultimate goal was to challenge the union leadership through union election, in an attempt to transform the existing party-dominant union to a workers-led one. It was against this background that the railway workers took the first steps to establish an independent trade union. The following section documents this process, which had implications for the development of union activism in the railway industry.

7.3 Rebellion from below

– Taiwan Railway Workers' Fellowship

Trapped between the party-state's repressive and corporatist management, it was difficult for Taiwanese trade unions to establish themselves as

independent and autonomous. Under state corporatism, trade unions were structured hierarchically by forms of democratic centralism and its associated regulations and laws (often enacted for the party-state's political purposes). Railway workers who showed loyalty to the KMT gained benefits from nomination as union officials and promotion. This was an effective technique to tie workers to the KMT.

During the late 1970s, workers who had become dissatisfied with the role of the trade unions and chose not to obey the party-state's rule began to organise together to reclaim their rights. Initially, these private gatherings were loosely linked and informal. However, over a period of time, such casual gatherings evolved into a strong link among workers to pursue their interests. During the party-state period, under the prohibition of martial law, workers who organised unauthorised and unrecognised groups were punished by the state. They might be persecuted, dismissed and put in prison. In order to break through this hostile political environment, these nascent forms of organised labour began to campaign within the established unions.

Nevertheless, the workers' rebellion was prolonged and complex, especially in the case of the Taiwan Railway. The strong and united railway union, which we observe today, had its historical roots in the railway workers' rebellion back in the 1970s. In the beginning, the purpose of the workers' rebellion was little more than a small group of workers seeking to redress immediate grievances. As these workers began to question the prevailing approach, they laid the foundation for the Taiwan Railway Workers' Fellowship (TRWF). This Fellowship became the driving force within the TRLU seeking independence from the party-state. In this respect, it is worth tracing how this process came about and what impacts and implications it had for the transformation of the TRLU and Taiwanese trade unionism.

7.3.1 It's all about pay and meals!

In the 1970s, the Taiwanese economy was booming, due to the success of the export promotion policy implemented in the late 1950s and throughout the 1960s, 1970s and 1980s (Taiwan Year Book, 2004; Wade, 1988). This economic structure (which shifted from reliance on agricultural exports to light manufacturing in the 1960s and 1970s) was associated with a demand for a cheaper labour force (Wade, 1988). Reform of the labour market drove a large number of young and inexperienced labourers into the job market. This labour market development was also seen in the Taiwan Railway which was regarded as one of the best employers and a prosperous industry at the time.

The three-year apprenticeship, a legacy of the Japanese managerial style, was used to train new and inexperienced railway workers (except train drivers), who passed the national Special Examination for Railroad Workers. According to the *Entry Requirements* of the Special Examination, during the three-year apprenticeship, newcomers, entitled “temporary employees”, were paid discounted salaries (70% of full pay in the first year, 80% and 90% in the second and third year, respectively). This wage system was viewed as unfair by some new workers. Nevertheless, since this wage system was clearly stated in the *Entry Requirements*, their participation in the examination meant that they had agreed to all entry requirements, including discounted salaries during their apprenticeship. Under these circumstances, it could be argued that there was no so-called “pay dispute” but particular complaints with respect to the pay issue among a small number of young and energetic workers. For this reason, the scale of “pay dispute” was small and limited and was easily concluded. However, the “pay dispute” had an importance in laying the foundation for rebellion from below in the Taiwan Railway.

Rebellion in the Taiwan Railway began at the Taipei Locomotive Maintenance Factory (hereafter the Factory). In the 1970s, around two

thousand workers were based in the Factory. It was one of the largest and most important workplaces in the Taiwan Railway. One senior railway union official, who was involved in the rebellion process, recalled:

The reason why I engaged in union affairs was to redress the issues of [unfair] pay [on the one hand], ... and expensive, and poor quality meals [on the other] (interview, 05/09/2006).

This informant became a railway worker at the Factory in 1972 when he was 15 years old. He was one of a handful of workers who engaged in the rebellion process against railway managers, and one of the key figures who helped to establish the TRWF. At the time of writing (May 2008), he was a senior secretary in the TRLU. He recalled the issues facing workers as low pay and poor quality meals. These issues provided the occasion for activists to oppose the system and factory management.

He and his fellow colleagues thought that as apprentices, they should not be entitled “temporary employees” as the Entry Requirements stated, and thus paid a discounted salary, because they had passed the national examination through which they became qualified as official staff. This was the first time anybody had collectively challenged this arrangement.

To be honest, it was very difficult to overcome this poor system, but we had believed all the time that this system was unreasonable. ... We requested the employer to return to us the money they had taken from us over the past three years. There were 43 people in the 24th training series in which I was based. We formed an alliance with colleagues of the former 23rd training series [also based in the Factory] who had the same problem with pay. Around 90 people who were dissatisfied with this arrangement joined this alliance. We attempted to work out solutions for this problem. A powerful interaction therefore emerged [among us]. In addition, because we were of the same class, our alliance was rigorous (interview, 05/09/2006).

However, when they presented their grievance on “pay” to factory managers, this respondent recalled:

[In the face of our discontent,] factory managers simply showed us the *Entry Requirements* in which the condition of paying 70%, 80% and 90% of full salaries for the first three years of apprenticeship was clearly stated. They [factory managers] then confirmed and emphasised that we were temporary workers who should be paid discounted salaries (interview, 11/11/2007).

Of note, their grievance was neglected by factory managers because their request for full pay was not in accord with the *Entry Requirements*. Although this group of people believed that the *Entry Requirements* were wrong in this matter, they did not immediately argue with factory managers. As the respondent further explained:

In the beginning, because we were still young, and did not know how long we would work here, we did not argue immediately on this matter. Not until dismissal from compulsory military service¹ did we actively work out these matters. After two to three years of compulsory military services, we, the same group of activists, gathered again with mature and thoughtful ways of thinking towards pay and, later, meals at the workplace (interview, 11/11/2007).

However, the experience of forming this informal alliance provided the foundation for the later larger and more formal, but still unofficial, workers' group when people faced more widespread trouble at the Factory, the problem of meals.

While the pay issue only affected a small number of workers, the second issue involved many more workers at the Factory. The issue of meals became the key driver that stirred many more workers into expressing grievances collectively. This problem centred on the expensive but poor quality meals provided at the employees' canteen in the Factory. These events happened in the second half of the 1970s. As the current union chairman recalled:

Before the Taiwan Railway Workers' Fellowship was established, we [key organisers] were in the Taipei Locomotive Maintenance

¹ According to the Taiwanese law, it is compulsory for Taiwanese males to serve in the military as long as they are 18 years old. In the case of this respondent, he could keep his railway post until dismissal from the army.

Factory. We thought that the meals that were provided for us were so poor that we began to rebel against this (interview, 17/04/2006).

Another informant who was directly involved in the issue provided more detail:

A pervasive thought that workers in this working environment had was that something was wrong with the food. ... It [the canteen in the Factory] was monopolised. The right to operate this employee's canteen was outsourced and had never been put into the public bidding process but was at the factory manager's disposal. After operating it for a long period of time, his [the canteen manager] attitude became arrogant. 'Take it, or leave it'. Workers' emotions were stirred up by this situation. ... We were young, energetic, hot-tempered and meddlesome. It [rebellion] began from here (interview, 05/09/2006).

Poor quality and expensive meals provided in the Factory were seen as the direct cause of an increasing number of workers drawing together. In comparison with the former alliance, the latter larger group of workers evolved into a bigger and relatively more formal organisational structure, with leaders representing the group. These workers met informally with each other. They exchanged views about the meals and they developed a case against the current situation. They nominated representatives to negotiate with the factory management on this issue. The factory management did not make negotiations difficult for representatives for two reasons. On the one hand, management was sympathetic to workers' grievances (interview, 11/11/2007). On the other hand, the fact that workers knew that management had been "bribed" by the canteen owner with more cheaply priced meals and better service was also a powerful driver (interview, 05/09/2006). This "bribery" incident was believed by the workers to be part of the reason why the canteen owner was able to continuously operate the service for years (interview, 05/09/2006). At the meeting with management, workers' representatives indicated that if they were given the opportunity to manage the canteen, they could operate it much better than the incumbent owner. Management agreed to their request and handed the canteen's business over to the workers in the Factory. The union official recalled:

We successfully acquired the right to manage the canteen. We handled the canteen very well (interview, 05/09/2006).

Representatives of the workers' alliance began to operate the canteen in the late 1970s. They not only shopped for food in the early morning but also designed a menu everyday in the afternoon for the next day by conducting a questionnaire survey among workers to better understand workers' opinions and meal preferences. When they could see that the canteen business was back on track, they handed it over to a Catering Committee whose members became responsible for its day-to-day running. The senior union secretary recalled:

We were not experts in this matter [managing the canteen], so we could not manage it for long. As soon as we saw that everything was back on the right track, we handed over the canteen business. ... Because of this incident and because we were young, many of our colleagues praised us for what we had been doing for the Factory and realised that we truly wanted to be of service. They thus supported us in the union election at the factory level (interview, 11/11/2007).

This was the first time in railway history that workers had acted collectively to secure their goals from Factory management. The initial thought of forming an alliance on behalf of workers stemmed from the need to have more strength and representativeness to express grievances to and negotiation with management. Such an alliance started with the problem of meals, which was, in one sense, not a direct challenge to managerial prerogatives. Importantly, management did not make things difficult in negotiations with representatives of the alliance.

The meal issue was highly visible and involved most workers within the Factory. The success of dealing with the meal problem gave workers an experience of collective organisation. It also provided other workers with a favourable impression of the main organisers, and emphasised the possible importance of an independent workers' group. This led to a stark contrast between the inadequacy of the dependent railway union and the success of this workers-led alliance. It encouraged their identification with the

forthcoming autonomous workers' group, which was bigger and much better organised, and aimed to tackle tough issues at the national level. The meal issue, in retrospect, had strategic implications for the subsequent radical workers' movement. It inspired these workers to continue to attempt to organise collectively. Moreover, this event inspired less radical workers to begin to question the inadequacy of the TRLU and to support an independent labour movement.

7.3.2 The June Revolution

By dealing with the meal problem in the late 1970s, this group of activists became known to many workers in the Factory and were supported in the local union election. Radical workers had little, if any, intention of seeking the TRLU's help in developing and extending the alliance. They were aware that the union could not help to solve problems on their behalf. Having taken charge of the employee canteen, the alliance gained a popular reputation among workers, not only because it had successfully represented workers' grievances, but also because workers were pleased with the meals provided by the reformed canteen. In fact, the main organisers of the alliance asserted that, during the course of operating the canteen, it was their intention to do their best to provide better food and services to please the Factory's workers. What the representatives were doing was, first, illustrating the alliance's ability to solve problems and, second, demonstrating that, instead of relying on the dependent TRLU, they were qualified to represent workers' grievances.

The leadership of the alliance used their stewardship of the canteen to promote themselves as possible leaders of the union in the Factory. They stood in opposition to the pro-KMT leaders in the union election at the Factory level. In other words, in retrospect, control of the canteen served as a foundation for this group of activists to move forward. It was a strategically significant act. One union official related:

After we took charge of the canteen, what we did for workers was to show them our ability and to make ourselves known to more workers. ... we gained an excellent reputation. ... When we were in charge of the canteen, the union branch [of the Factory] was therefore taken over by us (interview, 05/09/2006).

Importantly, the reputation of the leaders running the canteen was the springboard that enabled them to gain control of union organisation at the local level. Activists were fully aware that without taking over the official union, which was the only legally approved labour organisation for representing workers' grievances, they would not be able to sustain the alliance for long.

The activists set up an election campaign group, called the 'Labour Alliance', to help their colleagues at the Factory become elected as Union Representatives. These representatives had two basic responsibilities. First, they represented workers interests in the workplace and, second, they had to elect 27 union directors, from whom 9 union standing directors were elected and who in turn elected the Union Chairman. Therefore, to challenge the union's incumbent chair, the Labour Alliance campaign had to win at least half (plus one) of the total Union Representatives' seats. In 1981, out of seven Union Representatives' seats of the Factory union branch, nominees of the Labour Alliance won 3 seats. Although not a victory, it was a huge breakthrough for independent workers to successfully compete with pro-KMT candidates and to win seats as Union Representatives. This was also the first time in railway history that autonomous workers had attempted to gain control of the union through an election campaign.

The ways in which this Labour Alliance challenged the union at the local level gradually drew the attention of other autonomous workers at different railway workplaces and opened up the possibility of forming a workers' association across workplaces. However, before the enactment of the Labour Standards Law (LSL) in 1984 and the lifting of martial law in 1987, the establishment of a cross-workplace alliance was still uncertain and possibly

dangerous. In other words, these two legal issues provided the opportunity for independent railway workers to move into a new stage of collective organisation.

The enactment of the LSL in 1984 provided railway workers with a genuine opportunity and a platform to express their grievances. The main purpose of the LSL was to “provide minimum standards for working conditions, protect workers’ rights and interests, improve employee-employer relationships, and promote social and economic development” (Article 1). Railway workers had long experienced poor working conditions and pay. Some railway workers, train drivers in particular, were working a 24-hour shift without overtime pay. This seriously breached the LSL requirements that eight hours a day and 48 hours a week was the working standard¹. However, to their disappointment, not only was the railway management reluctant to implement the LSL, but the TRLU did not stand up against this decision. The majority of railway workers therefore became increasingly irritated and came to the conclusion that rather than rely on the official union, they had to count on themselves and oppose management decisions.

However, before the lifting of martial law in 1987, which prohibited people from organising unauthorised groups, independent workers’ activity on a cross-workplace basis was prohibited. It was not legally possible for railway workers to express their grievances through public collective actions². The lifting of martial law opened up an unprecedented opportunity for radical workers to establish workers’ fellowships without being persecuted or prosecuted. In addition, the lifting of martial law encouraged less radical workers to engage in the process, though often their engagement was still secret. After martial law was lifted in 1987, those radical railway workers could then publicly get together to represent their grievances. The first cross-workplace association, called the Railway Workers’ Northern Region

¹ According to LSL (Article 30, amended in 2002), legal working hours is eight hours a day and 84 hours every two weeks.

² The Labour Alliance’s success at the Factory was unusual and contingent, because its members chose the right issue at the right time. Workers’ full support was also crucial in this regard.

Fellowship, was formed at the regional level in 1987. This fellowship in association with other workplaces in the Taiwan Railway in northern Taiwan was based on the independent alliance at the Factory. The ultimate goal of this new Fellowship was to establish a national workers' group representing railway workers as a whole. It was an initial step towards national organisation.

Following efforts made by organisers of the Railway Workers' Northern Region Fellowship, workers who sought to secure their interests and identify themselves with the ideas advocated by the fellowship, agreed to support and participate in the group. The TRWF was established on the 20th March 1988, with an estimated five thousand 'members' (around one-quarter of the total number of railway workers at that time). This date was chosen because according to the railway union election regulations, candidates for election had to be nominated three months before the Union Representatives Election, which was set for June 1988.

The TRWF was regarded as an organisation 'outside the official system' (*ti-jhih-wai*) by the railway union, management and the government. The official purpose of the TRWF was "to return labour rights which belong to workers back to workers" (TRWF, 1988). While its short-term goal was to make the TRLU autonomous and independent, its ultimate ambition was to recover basic human rights for the Taiwanese working class. After the establishment of the TRWF, activists set up the Labour Alliance election campaign. They called this event the "June Revolution" (TRWF, 1988). Their achievement brought about permanent changes, not only directly in relation to the dependent official union, but also as part of the more general collapse of the party-state system within the railway industry. As stated by the Fellowship:

For a long time, while the Taiwan Railway's management has been publicly breaching the Labour Standards Law and cheating and oppressing employees, the Taiwan Railway Labour Union, which has abandoned and surrendered itself to being an instrument for the employer and the Party, has lost its ground in representing labour

interests. This situation has led to railway workers' dignity and rights being trampled on and crushed. Having no alternative, a handful of workers has stood up to defend the rights of fellow workers, action which has since won a great deal of support from railway workers. The TRWF has therefore been born from a consensus to labour resistance, struggle and self-preservation (TRWF, 1988).

People may find that in this official announcement, the TRWF presented ambitious objectives with militant but clear and well-structured directions, concretely aiming at improving unjust and unlawful labour processes within the Taiwan Railway. Such sophisticated objectives and the ways in which radical workers intended to achieve the goals were driven by two forces. The first, discussed earlier, was the experience of a small number of workers at the Factory seeking to redress pay and meal problems in the 1970s. The second driver came from the direct help of the political elites. The latter element provided more subtle and sophisticated legal and organisational support to these railway workers.

In the late 1970s, a number of political elites (known as *tang-wai*¹) as well as a handful of disgruntled KMT members, began to rebel against the party-state system. These highly educated political elites generally shared a commitment to democratic values as a result of studying abroad (mainly in the US) or possibly through the American Labour Attaché programme in Taiwan. They proposed democracy and opposed the government and the ways in which the party-state controlled Taiwanese politics and society through political elections. As regard, the support from political elites, one senior union official recalled:

External support could be divided into two parts: one from *tang-wai*, which later became the Democratic Progressive Party, and the other from the sub-group within the KMT, which later broke away from the KMT and established a new political party, called the Chinese New Party. By the time we were engaged in rebellion, the TRWF had association mainly with these two political groups

¹ People who refused to join the KMT membership or withdrew from the KMT because of their American democratic values and stood up against the party-state system were categorised as *tang-wai* (literally outside the Party) or political rebels.

which provided us with direct legal and organisational support (interview, 11/11/2007).

Other support was possibly from the American Labour Attaché programme. After the Second World War, the United States assigned labour attachés to the newly developed countries, particularly those in Africa and Asia as a “response to the emergence of labour elites clamouring for political power” (Fiszman, 1965: 203-205). The role of the American labour attaché was partly to oversee human rights practice and to help establish democratic labour processes. When I tried to confirm whether the American labour attaché ever played a role in developing union alliances in Taiwan with one government official (who had been a Taiwanese labour attaché to the US between 1995 and 2001), he replied:

I think it would be reasonable to infer that this has been the case. ... When I was in America, the Department of State of the US invited many Taiwanese union officials, including scholars, to visit Washington DC and other institutions. Of course, [the main goal was] to make everyone known to one another. Such invitation was undoubtedly in America’s interests. ... Generally speaking, funding, training and inviting labour elites to America, American values of democracy could be spread to Taiwan. Although I cannot state the actual practice of American Labour Attaché to Taiwan since the Second World War, I believe the ultimate goal has been to promote independent trade unionism and to encourage the Taiwanese state towards democratisation. Frankly speaking, I would not be surprised if American labour attaché had played a role in developing independent labour movement to further autonomy and democracy (interview, 06/09/2006).

Although the respondent could not directly confirm whether there had been a labour attaché programme in Taiwan during the party-state period, he implied that this was likely to have been the case. By means of funding, training and invitation to elites, America had endeavoured to establish the concepts of independence and democracy within countries where they appeared not to exist or were at a fledgling stage. This respondent’s background and experience enabled him to reveal that the Americans had indeed had connections with Taiwanese elites for the purpose of promoting democratic values.

Of note, a number of radical elites who were concerned about labour issues, established the Taiwan Labour Legal Support Association in 1984 (in parallel with the enactment of the Labour Standards Law) to provide a free legal consultation service to Taiwanese labour who were experiencing unfair treatment and participating in industrial disputes in the workplace (Taiwan Labour Front, 2006). In 1988, aware of the emergence of a large number of labour disputes organised by the grassroots in the wake of the lifting of martial law in 1987, this Association both transformed itself and renamed itself as the Association of the Support for Taiwan Labour Movement. It not only provided various types of support and consultations with respect to organisation, law and education, but also served as a platform for different groups of independent workers who engaged in labour movement activity at different levels to get to know each other. Further, organisers of the preparatory committee formed to establish the TRWF directly benefited from the assistance of this Association in terms of how to develop the TRWF's organisational structure and advice on ways in which to achieve their goals.

The newly evolved independent labour movement was an important source for political elites to bring their influence to bear on Fellowship developments as recalled by *da-lao*:

There were two reasons why the Fellowship (TRWF) was established. First, after the lifting of martial law, political groups [which operated outside the party] became actively involved in assisting autonomous workers and encouraging them to establish fellowships at different enterprises. These political elites could then make the best of the fellowships' solidarity and activism to challenge the hegemony of the KMT. Second, political elites believed that these fellowships [including the TRWF] could help them to achieve their [political] ambitions which had never been possible before (interview, 04/09/2006).

Although *da-lao* seemed to express a negative impression towards *tang-wai*'s political ambition by taking advantage of independent labour movements, it cannot be denied that the TRWF was established with the assistance of political elites who shared democratic values. All of these elements are part

of the explanation as to how those radical railway workers, who were less familiar with the law and this type of representation, successfully organised themselves and established the independent TRWF.

However, the June Revolution within the Railway failed, simply because the power of railway managers with the assistance of the party-state still prevailed over that of independent workers. Although the TRWF had strong solidarity and activism, its members were still defeated in the first attempt to challenge the union leadership in 1988.

7.3.3 Challenging the union leadership

In the election of Union Representatives in June 1988, people of the Labour Alliance campaign wore red jumpers, with the words “Labour Alliance” and the candidate’s number embroidered on the back. They were called the “Red Guards” (*hong-wei-bing*) to reflect their intention to defend and protect their fellow workers’ rights and interests. At the Factory, which had a long history of rebellion, the ‘Red Guards’ won a landslide victory, taking all seats. However, the Labour Alliance campaign only won around two-fifths of the total 107 Union Representative seats at the national level in 1988. In terms of the number of seats won by the TRWF, the outcome of the election in June was not decisive, though impressive. However, its members still decided to campaign for the union director election, because they thought that another fellowship, the Train Drivers’ Fellowship (TDF), was on their side. However, the TRWF soon realised that they had misjudged the support from the TDF, as the latter had already colluded with the KMT for this election. Having noted the TDF’s intention to support the KMT, members of the TRWF thus decided to boycott the General Meeting of Union Representatives on 15th September 1988 at which 27 union directors were to be elected. However, the meeting still proceeded in the absence of TRWF members. As a result, no TRWF member was elected as union director, let alone to the position of the union Chair.

Although the TRWF did not succeed in its first attempt, the courage of its members and the way in which they had organised the Fellowship to challenge the union leadership had far-reaching consequences for the dependent TRLU. One of the marked achievements was to stimulate the incumbent TRLU leadership to shift their dependent practices towards a more member-oriented approach. The TRLU, under pressure from railway workers and the TRWF, began to negotiate with railway managers about the issue of the application of the Labour Standards Law. Further, the TRWF's failure in the 1988 union election did not deter these activists but spurred them to carry on.

These activists again participated in the 1991 union election. There were three candidates, all KMT members, campaigning in this election for the union chair, namely, the incumbent union chair supported by the KMT, one candidate on behalf of the railway management, and one candidate on behalf of the TRWF. The union chair was elected from among nine union standing directors. At this election, the TRWF candidate received four votes, the railway management candidate won three votes and the incumbent union chair received two votes. Thus, the TRWF candidate succeeded in winning the union chair by one vote. As a result of this election outcome, the union chair was no longer nominated by the KMT. This change heralded the shrinking of the KMT's power within the railway sector. In addition, since the union chair had been nominated by workers, this indicated that the TRLU had become independent of the party and state. The TRWF was subsequently disbanded in the early 1990s because its mission to win the union chair and to transform the dependent railway union into an independent one had been successfully accomplished. The solidarity and activism of the TRWF fostered during the Factory period from the 1970s onwards were passed on to the independent TRLU and successfully prevented any attempts by government to take over control of the union again.

7.4 Discussion

The fact that the TRLU failed to represent workers' interests served as the fundamental driver for workers to rebel from below. The process began at one major work site, the Factory. Apart from the pay issue and the workplace meals issue, one feature in relation to the Factory should not be overlooked. It was one of the largest workplaces in the Taiwan Railway and recruited a large number of workers. It was possible for the early organisers to campaign informally among the work force. It was also possible for workers to gain security from the large number of workers at the Factory. This feature made the gathering of workers much easier. As Kelly (1988: 14) indicates, "By bringing workers together in large factories, ..., helped to create combinations of workers, or trade unions". Kelly's argument was supported by the current TRLU Chairman:

One of the important features of the Factory was that more than 2000 workers worked together in a workplace. This feature helped us to get together more easily. Then key members [the main organisers] ... began to connect with all the railway workers. The framework of the fellowship was based on the Taipei Locomotive Maintenance Factory, and then became the Taiwan Railway Workers' Fellowship (interview, 17/04/2006).

The size of the Factory was one of the factors that enabled workers at the Factory to challenge management.

The success of the TRWF's early campaigns provided valuable experience for the following events, not only at the industrial level but also at the national level. In particular, although the June Revolution in 1988 failed, the aim of organising independent workers in the union was maintained. Eventually, those key players and representatives of the TRWF successfully won the union election in 1991. The efforts of the TRWF in association with other labour movements throughout Taiwan in the late 1980s were not only an important turning point for the TRLU but also served as an important element in the collapse of the power of the party-state within the railway sector.

Without doubt, the success of the TRWF had ramifications throughout Taiwan. Most workers in the railway industry had been used to obeying instructions and orders. However, what the *new* independent union wanted was to facilitate change by means of union activism and struggle. Such attitudes and ideas were novel to many workers who had little experience of independent collective action. The TRWF's experience, developed under a hostile environment in the 1970s, gave the leadership the experience to respond to workers' concerns and grievances as well as to take the appropriate steps to win workers' support. Further, the articulation by TRWF of core democratic values enabled them to counter the employers' and the KMT's attempts to regain control over the union, and the railway sector. In the following five union elections from 1991 onwards, the union chairmen were all core members of the TRWF. This ongoing legitimate delivery of the TRWF's "core democratic values" has made the TRLU one of the strongest unions in Taiwan. As *da-lao* further pointed out:

One thing that made the TRLU special was the existence of the spirit of the TRWF [when compared with other unions in Taiwan]. Since they [members of the TRWF] came into the union, there have been core democratic values that have sustained this organisation, and passed from one chair to another. Without such core democratic values, it would be very difficult for new chairmen to get on with difficult tasks (i.e. opposing privatisation policies) quickly and easily. No other unions have this feature, and this is the crucial reason why the TRLU is stronger than other unions (interview, 07/04/2006).

The "core democratic values" which have been inherited from the 1970s have served as a decisive element that has made the return of KMT control over the union impossible. Of course, it should also be noted that the power of the party-state also decreased in line with the democratisation process from the late 1980s onwards, which, in turn contributed to the independence of Taiwanese trade unionism.

One of the problems now facing the leadership is how to renew itself. The idea of 'core democratic values' may make it difficult for new members to

enter the centre of policy-making. In other words, the union could easily exclude 'new blood' who had not belonged to the former TRWF. This was confirmed by *da-lao*:

However, ... there is a drawback about the legitimate delivery of the TRWF's core democratic values. The most significant disadvantage is factionalisation of the union, because there are many talented workers who cannot enter the centre of union policy-making (interview, 07/04/2006).

In fact, the current union chair has also noticed this feature of the union, and has been seeking resources to introduce 'new blood' into the union organisation. The biggest problem is the attitude of the union officials themselves (field note). It is always difficult for people to reform the system developed by themselves. However, fortunately, the TRLU is still facing a number of challenges which is forcing its members to re-examine the way they organise and operate. *Da-lao* commented:

However, at this difficult time [in the face of the government's strong intention to corporatise and privatise the Taiwan Railway and competition from the private railway company], I do not want to see these unique union's features to be discarded, mainly because they are the only reason that equips the TRLU with fighting capability (interview, 07/04/2006).

The government's intention to corporatise the Taiwan Railway remains. Therefore, the same union characteristics and components, to a large extent, could play a role in renewing the union leadership and, at the same time, limit the government's intentions to privatise the Railway.

Although the TRWF successfully challenged the union leadership and even broke down the party-state's power and control which was embedded in the Taiwan Railway, the union still operates in a state industry that has been in place for 60 years. The TRLU has been influenced and shaped by that bureaucratic structure. In other words, it would be difficult for the railway union to resist the state as employer, if the state introduced, for example, restrictive legislation (as occurred in Britain in the early 1980s). Being aware

of this point, the independent union has continued to challenge the state, evident in the privatisation campaigns. Therefore, the relationship between the union and the state, in this context, is fragile and often tense (field note).

After addressing the way the TRLU maintains itself as an active union, as illustrated by the privatisation campaigns, it is necessary to consider another workers' group in the Taiwan Railway. This second Fellowship, the Train Drivers' Fellowship, also played an important role in the process of the developing independent labour movement.

Chapter 8

Sectionalism in the Taiwan Railway

8.1 Introduction

In Chapter 7, I discussed the sources of TRLU activism and its impact on the development of the contemporary independent union movement in Taiwan. The TRWF played a decisive role in pushing the dependent TRLU into independence. This chapter aims to examine another independent workers' group within the Taiwan Railway, the Train Drivers' Fellowship (TDF). This Fellowship was established in the wake of the establishment of the TRWF to pursue train drivers' sectional interests. The emergence of the TDF has been as important as that of the TRWF for Taiwanese union movement history.

Craft sectionalism has long existed in the labour market. Craft workers enter privileged occupations through education, training and lengthy apprenticeships (Haydu, 1991: 1). Their distinctiveness arises from skills, qualifications and knowledge (Hyman, 1989: 27). Craft workers, particularly those with strategic skills, may gain significant advantages in the aspects of employment, pay and working conditions (Hyman, 1989: 25). The segmentation of the labour market is reflected in the structure of the labour movement (Hyman, 1989: 27).

One type of sectionalism appears in sectional unions (representing particular groups of "skilled" workers) pursuing better interests at the possible expense of other unions of different or similar trades. For instance, the Associated Society of Locomotive Engineers and Firemen (ASLEF), a sectional union specifically representing train drivers of British Rail, negotiates better pay and working conditions for its members than workers of different professions in the railway industry, represented by the National Union of Rail, Maritime and Transport Workers (RMT) and the Transport Salaried Staffs' Association

(TSSA), respectively (Arrowsmith, 2003). Another type of sectionalism appears in industrial or enterprise unions, which incorporate and therefore represent all kinds of workers, whether manual or white collar, in different trades or professions or in the same industry, enterprise or branch of production. Soviet trade unions are typical cases of this category, as are some Western unions, like the National Union of Mineworkers (NUM) in the UK (Clarke and Fairbrother, 1993b; the NUM website). The sectionalism of train drivers in the Taiwanese railway industry, discussed in this chapter, belongs in this category.

In the Taiwan Railway case, the segmentation of railway posts had long existed but became apparent when the two independent workers' groups (the TRWF and TDF) developed. The TDF was established on May Day in 1988 by way of strike action not long after the TRWF's inaugural meeting (on 20th March, detailed in Chapter 7). Whereas the TRWF was developed to advance all railway workers' collective interests, the TDF was formed to strive for and defend train drivers' sectional interests.

Conflicts between the two groups worsened when both fellowships engaged in negotiating pay and conditions in the late 1980s. The idea that train drivers deserved higher pay and allowances was seen to be against the collective interests of the railway workers. Therefore, sectional identities and consciousness drew train drivers more tightly together, by which they demonstrated a higher commitment than other railway workers to defend their own specific interests. This "working-class politics" (Haydu, 1991: 3), which involved a clash between craft and unskilled railway workers, gave railway management an opportunity to exacerbate the divisions between the two groups. Railway management manipulated train drivers' sectionalism to weaken the railway workers' collective power. Unlike the TRWF that was disbanded when its members successfully gained control of the union chair, the TDF is still actively in operation.

Although the TDF is an unofficial workers' agency within the Taiwan Railway, it actually represents train drivers in negotiations with management

on particular issues. In other words, its support of train drivers' interests is recognised by the employer in the Taiwan Railway. This was evident in the late 1980s with regard to the May Day strike and union chair election in 1988, and in the early 2000s with the union members' general meeting on 11th September 2003. As a result, craft sectionalism has become an issue in the Taiwan Railway.

In order to understand how craft sectionalism became an issue in contemporary labour movements in the railway industry, this chapter needs to consider how the TDF emerged and developed, and its relationship with the TRWF and TRLU. An account of the challenges of union leadership, involving both Fellowships, shows how the Fellowships began to pursue separate interests. These divisions are then considered in relation to the general meeting on 11th September 2003 and subsequent events.

8.2 The Train Drivers' Fellowship and the 1988 May Day Strike

8.2.1 Train Drivers' Fellowship

A train driver's mode of work is unusual when compared with other workers in the railway industry. In addition to their higher salary, train drivers are paid driving allowances as fringe benefits. While train drivers are working (driving trains), they must pay attention to specific aspects, such as level crossings, speed limits, signals and many unexpected incidents on the railway. Prior to the 1990s, for safety reasons, train drivers were required to assemble under supervision at their workplaces four hours before their work shift (five hours on the night shift) without overtime pay to ensure they were sober and sufficiently alert to work. In addition, working in a small and isolated control cabin, a train driver is always pressured to safely deliver hundreds of passengers to their destinations. Moreover, the apprenticeship stresses that

younger trainees should respect older trainers and obey their orders.

The context and situation of the train drivers that stimulated organisation of the TDF is remembered clearly. One train driver who had been in this post for more than 20 years recalled:

Of all modes of railway work, we, train drivers, participate in the most unique one. We receive higher pay than others. ... But we often work on the night shift. ... For a long period of time, train drivers inherited Japanese apprenticeship [managerial] style. We very much emphasised rank. Up to the present, we still call the senior train driver 'Master' (*shi-fu*). We cannot call him by name or even mister. ... Therefore, because, in general, our supervisors are 'Masters', we are expected to respect and inherit their outmoded way of thinking. ... Train drivers are basically isolated from the outside world. ... (interview, 06/09/2006).

This respondent was one of a handful of train drivers involved in the establishment of the TRWF. However, after the TDF was launched with his active involvement, he withdrew from the TRWF and became a cadre of the TDF and remains so to this day.

When asked to recall what was thought of their working conditions, another respondent, who had been the first general-president of the TDF (between 1988 and 1990), further stressed:

Our working hours were too long. We worked in an environment where loud noise and high temperature were the norm. In addition, driving a train was dangerous. We often worked on the night shift and rarely had a vacation. To be honest, our pay was not commensurate with the work loads we had (interview, 05/09/2006).

In fact, such working conditions and unsatisfactory pay had existed since the Japanese colonial period. In the early 1980s, two crucial events triggered workers' discontent. First, in 1983 and 1984, a large number of military personnel were compulsorily dismissed from the army. A number of them were allocated by the government to the Taiwan Railway and trained to be train drivers. These 'atypical' railway workers were not deeply influenced by the rigid managerial style but had a strong self-identity and consciousness

which was distinct within the existing railway culture. This feature drew these newcomers tightly together. One respondent (who had been the main founder of the TDF and was general-president of the Confederation of the TDF when I interviewed him) recalled the characteristics of these newcomers:

They [these new trainees] were young, militant and bold, ready to openly complain about their grievances. They were obviously discontented with the working environment and conditions, and often got together privately to discuss problems they had (interview, 05/09/2006).

The way of thinking of these new railwaymen and their actions gradually spread and influenced other train drivers. In this way, a voice that called for a change from the outdated managerial style, slowly but steadily emerged. This group of militant train drivers later became the core founding members of the TDF.

The second critical element that triggered train drivers' discontent with working conditions was the Labour Standards Law (LSL). As has been emphasised in earlier chapters, railway workers were irritated by their exclusion from the protection of the LSL. Train drivers who had long expected improved working conditions and wages were also disappointed with this exclusion:

Between 1984 and 1988, the Taiwan Railway did not implement the Labour Standards Law. ... [During this period,] everyone was angry over this exclusion. We constantly expressed our grievances to management, but they showed no respect for our view (interview, 05/09/2006).

It was their exclusion from the protection of the LSL in association with mismanagement and poor allowances that stimulated militant train drivers to think of fighting for their interests collectively. By the 1980s, there were more than 1,500 train drivers, including assistant drivers, in the Taiwan Railway. Before they actually got together and formed an alliance to represent their grievances, a handful of the most radical workers attempted to negotiate with managers individually. However, instead of obtaining what

they requested from managers, these workers were punished for their effrontery. Under martial law and managerial power, they were either compelled to transfer to other posts which might be far away from where they lived or granted a poor annual performance assessment (which would directly affect their promotion and year-end bonus). However, this oppressive technique did not dampen their enthusiasm. In 1988, another opportunity presented itself. After martial law was lifted, with the encouragement of the autonomous workers' movement within the Taiwan Railway, these train drivers began to unite, seeking to strengthen their bargaining capacity to address their grievances. The decision to form a fellowship for train drivers was encouraged and supported by "a number of enthusiastic workers giving speeches and holding informal discussions [for train drivers] at different workplaces throughout the nation" (interview a cadre of the TDF, 05/09/2006).

On 19th March 1988, the day before the TRWF was established, all the TDF's core members met for the first time at the Cosmos Hotel in Taipei to organise their own Fellowship. They also decided to hold the first preparatory committee meeting to establish the Train Drivers' Fellowship on 29th March 1988. This date for the preparatory committee meeting was chosen because it was a national holiday, and, according to the LSL, "a worker shall be granted time off on all holidays, Labour Day and other days as prescribed by the central competent authority" (Article 37). The TRWF also supported the train drivers' action (*TRWF propaganda*, 1988). Although not permitted, a number of radical train drivers declared they would take the day off to achieve their goal of establishing the Fellowship. This decision had a twofold purpose. On the one hand, to have a national holiday without the employer's consent had never happened in the Taiwan Railway before. Therefore, their announced action amounted to a small scale strike and the employer's reaction to their action would be tested. On the other hand, this declaration would show their determination to establish a Fellowship for train drivers. These train drivers' determination to take a day off influenced many other train drivers who also stopped work.

Accordingly, on 29th March 1988, nearly 500 train drivers and assistant drivers collectively took a day off to attend the preparatory meeting at the Cosmos Hotel in Taipei. The press revealed what happened at the meeting:

Nearly 500 train drivers bitterly complained at the venue and condemned inadequate remuneration, including fringe benefits, and working environment. ... Every worker who spoke on the stage was emotionally charged. Each speaker accused [management and government] of exploiting labour and breaching the LSL, providing concrete examples. Workers loudly applauded when speakers spoke from the bottom of their hearts. At the meeting, someone circulated leaflets requesting the TRLU to be independent (*United Daily News*, 30/03/1988: 3).

One cadre of the TDF recalled the situation on that day as follows:

The meeting venue was crowded with people. ... We were so touched and overjoyed [with the number of spontaneous participants]. We believed that it was because people had no fear of punishment from the employer. ... We were very satisfied with that meeting (interview, 06/09/2006).

Scheduled trains were not affected at all by this event, because managers had prepared for drivers' absence (*Min Sheng Daily*, 30/03/1988: 7). However, the above interview suggests that the respondent was surprised by the number of train drivers who attended the meeting to show their determination to support the establishment of the TDF. The outcome was encouraging not only because of the high number of those who attended the meeting but also because those workers who took a day off to attend the meeting without their managers' permission were not punished. The railway director-general, in response to their collective absence without his consent, acknowledged that "having a day off on national holiday is a worker's basic right". In addition, he defined workers' attendance at that meeting as "a private activity", and therefore, "they would not be punished" (*United Daily News*, 30/03/1988: 3).

Although the director-general publicly regarded workers' behaviour as private in nature, drivers took a somewhat different view. As one TDF core member recalled:

Railway managers were fully aware of what we were doing. But they seized upon the thought that what we intended to do would not succeed. They thought we were playing the fool. Even on the day of the [May Day] strike, they still believed that the strike would not succeed (interview, 05/09/2006).

This comment was echoed by another TDF respondent:

The success of the meeting on 29th March 1988 was to some extent because the employer left us alone. They subjectively thought that we would not succeed. ... I can confirm that if the employer had intervened in the process, we would not have succeeded at all (interview, 06/09/2006).

Managers' attitudes, according to the respondents, played a role in the success of the meeting. The main reason why managers did not publicly interfere in the process and stop them attending the meeting was twofold. First, having punished those who had expressed their grievances before the lifting of martial law, managers simply believed that the workers would not dare to organise such an illegal activity again. The second reason, related to the first, was that managers did not consider workers could succeed in any significant way in bringing the railway network to a halt as revealed by the fact that scheduled trains were not affected. The Director-General of the Taiwan Railway proudly stated in the press:

None of the scheduled trains stopped running. In fact, trains ran more on time than on normal days' (*United Daily News*, 30/03/1988: 3).

Although managers, according to the two respondents, downplayed the success of the meeting, the solidarity and militancy of the train drivers that was demonstrated by their attendance at this preparatory meeting should not be overlooked.

8.2.2 May Day Strike in 1988

At the meeting on 29th March, a number of important issues were discussed. First, it was confirmed that the TDF would be established on May Day 1988 (a national holiday for workers). Second, in order to attend the inaugural general meeting of the TDF on May Day, train drivers would collectively take a day off on that day. Although they claimed that having a day off on that national holiday was lawful under the LSL, they were fully aware that such action could be construed as a strike, which was illegal. Nonetheless, they avoided using the term 'strike' publicly:

Our slogan was: 'to have a legal vacation is our rights'. We wanted to declare and exercise our rights and interests by doing so. Because essentially according to the LSL, we should have a day off on a national holiday. In other words, we used our legal right to cover up this illegal strike intention (interview, 06/09/2006).

The goals of this action were, on the one hand, to demonstrate the determination to defend train drivers' legal rights, and, on the other hand, to express train drivers' grievances through the establishment of the TDF. It is noteworthy that before this 'strike', there had not been an occasion when a labour movement had called a day off collectively in the railway industry, let alone on a national scale. Therefore, not only did managers and the government have no prior experience in dealing with a situation of this kind, workers themselves had little idea as to what would happen as a result of such industrial action. As for managers and the government, as indicated above, they did not intervene in the process simply because they did not believe strike action would succeed.

However, both train drivers and TDF cadres were worried about the consequences of their action. Workers' dilemma became significant, when managers offered them a deal in response to their request for an increase in monthly driving allowances. As a result of this offer, TDF cadres had a sharp argument about this industrial action. Managers offered to increase driving allowances by NT\$2,000 (*New Taiwan Dollar*) per person per month

(hereafter pppm) for both drivers and assistant drivers as a deal for calling off the strike. In 1988, driving allowances were NT\$5,000 pppm for train drivers and NT\$3,000 pppm for assistant drivers. While some train drivers were inclined to accept the offer and call off the strike, the more militant drivers refused. An inside story, related by a senior TDF cadre, highlights the dilemmas and uncertainties with regard to this industrial action:

Because we had not so far received any positive response from managers in response to our appeals for improved working conditions and wages, cadres held a meeting on 26th April 1988 at one cadre's house in Changhua (a town in central Taiwan). ... We were fully aware that we were going to participate in the first strike at the national level in Taiwanese labour history. In addition, martial law had just been recently lifted, and White Terror¹ still haunted us. Everyone was afraid of a setback [as a result] of the strike, which made us very cautious and wary. Everyone began to voice their opinions. I stood up and said with a firm tone, 'First, there are many opportunities for us to make money outside the railway industry. Therefore, we do not have to stick to this job. Second, it takes at least five years to train a worker to become a qualified train driver. Because a qualified driver must be familiar with legal regulations, he must know how to deal with emergency situations, and he must know how to fix a locomotive breakdown should one occur while he is driving. It takes five years for a trainee working as an assistant driver to become a chief driver and to reach the situation where he is solely responsible for everything [while driving].

The third reason is that we might not have this opportunity to increase our allowances for some time. Listen! It might be 10 or even 20 years from now that allowances are considered for increase again.' They therefore asked me my opinion. I suggested, 'we must request that the allowance be increased once and for all. If everyone agrees to accept the amount of money management has offered, then we will not have to go on strike.' Because, I have stressed, after this increase, we have no idea when allowances will be raised again. If we let this opportunity slip away now, we may regret doing so. Given that we are likely to want to request an increase in allowances at another time in the future, we may have to show our militancy and circumstances may be such that it will be even more difficult to do so than it is now.

Before we began to vote by a show of hands whether we would accept managers' offer or not, one of the cadres furiously pointed at

¹ In Taiwan, White Terror is the term used to describe the KMT's suppression and massacre of political dissents (who were accused of being pro-communist) under martial law.

me and shouted, 'you must take full responsibility, if everything goes wrong because they agree to your suggestion.' I replied loudly and firmly, 'I will. I hope this is the first and also the last strike [that we organise].' Everyone voted to accept my suggestion that the monthly driving allowances should be increased by at least NT\$5,000 (pppm) for both train drivers and assistant drivers (interview, 06/09/2006).

Train drivers and TDF cadres eventually requested management to increase driving allowances by NT\$8,000 ppm for train drivers and NT\$6,000 ppm for assistant drivers (*Economic Daily News*, 08/05/1988: 23). This story clearly illustrates how anxious and concerned cadres were about organising the first national strike in Taiwanese history. At the informal meeting on 26th April, they further discussed how the strike would proceed on May Day. They decided that at midnight on 1st May, all running trains would stop at the closest main station and train drivers stop working and begin their vacation. However, they also decided that the possibility of negotiations would remain open to managers and the government, because cadres were still hoping that they could persuade managers and the government to accept train drivers' request so that the strike could be avoided.

On the same day (26th April), in the afternoon, government officials and the railway director-general, on their own initiative, met up with cadres to seek a resolution to the dispute. Government officials promised that they would meet up again at 2 o'clock in the afternoon on 29th April in the Provincial Government building office in Nantou (a county in central Taiwan) and give them a satisfactory answer to their request (*United Daily News*, 30/04/1988: 3). At the appointed hour and venue, train drivers' representatives turned up, but, unexpectedly, neither management representatives nor government officials were there (*United Daily News*, 30/04/1988: 3). After waiting two hours, train drivers' representatives left. Although still willing to meet representatives from government and management, the drivers announced a deadline for negotiations of 10 o'clock on the morning of 30th April. The first general-president of the TDF recalled:

We were still waiting for a firm answer to our request. ... [Since the employer and government had made no response,] by 10am on 30th April, I began to call all cadres, and said, 'things are confirmed, just act on the resolution we made at the meeting [on 26th April]' (interview, 05/09/2006).

The strike therefore took place. At that time, 942 trains were scheduled to operate everyday, including freight trains. On the day of the strike, only 62 of the scheduled passenger trains were operating; of these, only 12 trains operated on the western trunk line, the main line (*Min Sheng Daily*, 02/05/1988: 7). Over 90 per cent of scheduled trains stopped running. Of more than 1,500 drivers and assistant drivers, less than 100 drivers and assistants went to work, and these included two drivers who were assigned by TDF cadres to drive two trains to carry workers from southern and eastern areas, respectively, to attend the Taipei meeting. Of the more than 1,400 drivers who took the day off, around 500 attended the TDF's inaugural meeting (*Min Sheng Daily*, 02/05/1988: 7). No picket line was required because train drivers eagerly joined this industrial action. As the former general-president of the TDF recalled, "It [the whole process, including the inaugural meeting of the TDF] went smoothly" (interview, 05/09/2006). Almost all trains stopped running on that day, and the TDF was successfully established.

Train drivers showed their solidarity and determination in the matter. Undoubtedly, managers and the government were alarmed by the train drivers' success, since they thus agreed to increase driving allowances and to update outmoded managerial styles. For train drivers, this was a successful industrial action (or 'strike', though they tended to avoid this term).

The importance of this strike cannot be overemphasised. As one TDF cadre stressed, "it was this strike that ultimately led to a flourishing [Taiwanese] labour movement" (interview, 16/06/2004). This viewpoint was echoed by the former TRLU Chairman (1997-2003).

The strike genuinely stirred workers' consciousness and those who had not understood [the meaning of] the union [its organisation and function] became aware of what was possible. ... The effect of the strike was like a sudden downpour in an extremely hot day in summer (interview, 04/09/2006).

The simile used by this respondent to describe this industrial action precisely explained the impacts of the strike. The strike had at least two impacts. First, inside the railway industry, the railway union, dependent on the party-state, was in a sense humiliated by this industrial action, which clearly demonstrated the impotence of the dependent TRLU, which was unable to play a role, on the one hand, to defend workers' interests and, on the other hand, prevent labour disputes.

The second crucial impact of the May Day strike was that the Taiwanese independent labour movement developed throughout the nation. The success of the TDF in conjunction with some local industrial actions outside the railway industry directly inspired independent labour movements in various industries to stand up against employers and defend workers' interests. These independent labour movements, particularly those in the transport industry, followed the pattern set by the TDF on May Day. According to the press, by July 1988, at least seven local bus companies' workers and one national bus company's workers had gone on strike for better conditions and wages (*United Daily News*, 19/07/1988: 3). "An infectious disease" was the term used by government officials to describe these emerging phenomena (*United Daily News*, 19/07/1988: 3). In short, the May Day strike organised by the TDF successfully opened the way for other workers to follow suit and defend their interests and rights. Employers were forced to change their practices to calm this wave of labour disquiets. In addition, the rise of independent workers' actions (organised by both the TRWF and TDF) within the Taiwan Railway significantly marginalised the TRLU, which was controlled by the party-state. It was the May Day strike in conjunction with the TRWF's challenge on union leadership in 1988 that forced the TRLU to adopt more member-oriented approaches and endeavour to recover members' support (*Min Sheng Daily*, 13/08/1988: 12).

8.3 Conflicting interests between the TDF and TRWF

However, despite the encouraging outcomes of the May Day strike, one side-effect emerged. Inside the Taiwan Railway, the relationship between the TDF and TRWF deteriorated when the railway director-general granted train drivers generous rises in allowances after the May Day strike, and when the TDF publicly defended their interests against those of the rest of the railway workers. As argued above, train drivers held the view that driving trains was a specialist mode of work in the railway industry. Moreover, as skilled workers, they were difficult to replace within a short time period and, while they were working, they were isolated and had very little direct face to face contact with other railway workers. In addition, train drivers received higher pay than other workers. In this situation, the majority of train drivers were not enthusiastic about joining the TRWF but hoped to create a Fellowship exclusively for themselves. Craft sectionalism therefore became evident within the Taiwan Railway.

When the TRWF was in its initial period of establishment, a number of radical train drivers who later became cadres of the TDF were also involved in it. Basically, cadres in the TRWF regarded it as the umbrella organisation for all independent workers' groups, because it was the first workers' group and also promoted all railway workers' interests. This suggested that the TDF should be incorporated within the TRWF's leadership. However, the train drivers rejected this idea, as the first TDF general-president emphasised:

They [leaders of the TRWF] said that we were under their command. We ignored what they claimed and walked along our own way (interview, 05/09/2006).

This diversion of paths carried on through the preparation for the May Day strike. Although cadres of the TRWF claimed they had been involved in planning the strike, cadres of the TDF generally denied this account. In several interviews, respondents who were cadres of the TDF strongly

emphasised that the TRWF had played no role in this process. The incumbent general-president of the Confederation of the TDF stressed:

It [the May Day strike] was worked out by the TDF alone. The TRWF had nothing to do with it. (interview, 05/09/2006).

This point of view was reiterated by one of the TDF's cadres (who had once been a TRWF official):

No, they [cadres of the TRWF] were not involved in the planning process. It was mostly done by ourselves [train drivers]. We spent our time and donated our money to make this strike happen (interview, 06/09/2006).

One thing is evident: the TRWF was eager to draw all railway workers under its leadership in order to strengthen its bargaining capacity and to protect railway workers' interests as a whole by means of challenging union leadership through elections. The TRWF was therefore eager to incorporate all types of railway workers under its umbrella so as to make the best use of this collective strength to win union elections. In contrast, the primary goal of the TDF was exclusively to defend the interests of train drivers. The senior railway manager, *da-lao*, also acknowledged the TDF's practice (with a disdainful look on his face as he spoke):

You should be clearly informed that the TDF was established purely to defend their drivers' interests, not all railway workers' interests, nor to challenge the union leadership through elections (interview, 04/09/2006).

Another union official used a stronger expression to describe the role of the TDF:

The TDF was monolithic, or to put it bluntly, its members were selfish (interview, 05/09/2006).

Conflicts between train drivers and other railway workers deepened when the railway director-general (despite protest from the TRWF) agreed to give train drivers better allowances. This largely undermined any agreed understanding

between the TRWF and TDF. Soon after the May Day strike, and following complaints from passengers and the public, a large number of railway workers condemned the self-centred train drivers. This is clearly seen in a TRWF's publication, dated 11th June 1988:

Although we [the TRWF] have never given up on any opportunity to address members' grievances, that is, to improve pay and working conditions, and never went on strike, we failed to achieve our goals. ... We therefore felt very upset and unjustly treated when train drivers who had not taken a day off received NT\$3,000 bonus, while other workers who had worked on that day received nothing.... Besides, more surprisingly, why did the employer increase the pay (driving allowances) of train drivers who had gone on strike on May Day? (*TRWF propaganda*, 1988).

Labour unrest due to differentiated remuneration remained among railway workers. For instance, in an interview with the media, a train controller made a very interesting but striking comment about the TDF's behaviour:

While train drivers can collide with people, train controllers are people who often collide with trains. After train drivers collectively went on strike, the Taiwan Railway soon increased their driving allowances ..., and also gave a bonus of NT\$3,000 to those who had worked on May Day... If train controllers are injured in the course of our job, we got nothing but basic labour health insurance (*United Daily News*, 12/08/1988: 3).

This comment indicates that train drivers receive what they had requested through the May Day strike, but other railway workers received nothing. In the face of this differentiated treatment, the TRWF decided to put pressure on railway management and request an increase in pay, implementation of the LSL, and control of the railway union. They organised a walk-out protest on 12th August 1988¹, recorded as the first railway workers' walk-out protest. More than 800 railway workers collectively took a day off and walked out in the afternoon of that day (interview, 05/09/2006). Nevertheless, on the same day, in the morning, the TRLU had held a press conference criticising the

¹ Initially, the walkout protest was organised for 18th June but was called off because railway management promised to increase all railway workers' (except train drivers') pay. However, when the protest was cancelled, the employer reneged on its promises. Therefore, a second walk-out protest on the 12th August 1988 was organised.

TRWF's walk-out protest. At the press conference, the TRLU not only rejected the charge of dependency on the party-state but also emphasised what the union had done and had been doing to improve the position of railway workers. It also stressed that the railway union was by no means a useless and dependent union (*United Daily News*, 13/08/1988: 3). What was surprising was that the general-president of the TDF appeared at this press conference in order "to endorse the TRLU's contribution and to make a clear break with the TRWF" (*Min Sheng Daily*, 13/08/1988: 12). The rift between the TRWF and the TDF was evident and striking.

In this scenario, managers strategically played an interventionist role to manipulate and deepen the gulf between the TRWF and the TDF. Initially, the TDF had agreed to support TRWF candidates who stood for union election in 1988. However, this agreement broke down when the KMT, in association with railway management, strategically bought off a number of core members of the TDF by supporting them as union standing directors, and thus eligible to elect the union chair. Since the TRWF lost support from the TDF in the union election of 1988, the first challenge by the TRWF to take the union chair failed. As one union official recalled:

They [the TDF] initially had an agreement to cooperate with the TRWF in the Union Representatives General Meeting and to support the candidates nominated by the TRWF. But ultimately the TDF's cadres chose to accept advantages provided specifically to train drivers by the KMT. Their position then shifted and they supported the planned KMT candidate (interview, 05/09/2006).

Da-lao echoed this statement:

The failure of the TRWF's first attempt to take the union chair was mainly due to the TDF's decision to support the KMT nominee. ... There was initially an agreement to support each other (interview, 04/09/2006).

The collapse of the alliance between the TRWF and the TDF in the run up to the union election of 1988 was confirmed by the current general-president of the Confederation of the TDF:

A number of our cadres were supported by the KMT in 1988 union election. We were very strong [in capacity] at that time, because out of 9 union standing directors' seats, we won 6 seats. But, strangely, the candidate who won the union chair was not a train driver but the KMT's nominee... It was because union elections were still in the KMT's control (interview, 05/09/2006).

Under normal circumstances in the union chair election, when one workers' group holds more than half of the total seats belonging to union standing directors, it will be 'as easy as winking' to win the union chair. However, the case above reveals two implications. First, during the party-state period, union elections were actually under KMT control. Second, in order to prevent the loss of control over the union leadership, the KMT strategically bought off cadres of the TDF so that they would not cooperate with the TRWF in union elections. In other words, cadres of the TDF became an instrument of the KMT in order to destroy the workers' alliance and workers' solidarity.

From the general-president's description of the 1988 election, the 'incentive' of being supported by the KMT to become union standing directors succeeded in preventing the TRWF from winning the union chair. After this, the relationship between the two workers' groups broke down. While the TRWF carried on working towards an independent railway union, the TDF seemed to become a more inward-looking grouping, only working for train drivers' interests. This development, whereby "the policies and priorities of unions [the TDF] often reflected narrow sectional concerns rather than broader class solidarity" (Hyman, 1989: 26-27), reinforced the position of the TDF.

Despite criticism of sectionalism by the TRWF and other railway workers, the TDF did not change its practice. In the face of such criticism, one senior TDF cadre replied:

Our way of responding to their criticism was very simple. ‘Since you [those who criticise train drivers’ practice] consider that our benefits are better than yours, then, why not come and join us through the train drivers’ qualification exam?’ The present number of train drivers is insufficient (interview, 06/09/2006).

This ‘simple’ response clearly demonstrates that train drivers believed they deserved what had been granted to them because they were skilled, well-trained, and qualified. The sectionalism was manipulated by railway managers to minimise railway workers’ collective strength. The TDF also concluded that to maximise train drivers’ interests it had to keep a similar distance from both railway management and other railway workers’ groups (the TRWF and the later independent TRLU).

In spite of this division within the railway industry, the TRWF, supported by the rest of the railway workers, won the union chair election in 1991. However, the tension between the TDF and the rest of the railway workers persisted, even when the TRLU became independent. The conflict between the TDF and the TRWF in the late 1980s was extended to the TRLU but in a more subtle and sophisticated way. While the TDF made a clear break with the TRWF simply to defend its interests in the union election of 1988, the 9/11 event in 2003 demonstrated how the TDF manipulated its sectional advantages without offending either the TRLU or railway managers.

8.4 Internal Conflicts on the 9/11 event

From the late 1990s onwards, the independent TRLU encountered two unprecedented developments — competition from the private Taiwan High Speed Railway Company (THSRC) and corporatisation and privatisation policies. These two critical challenges were seen by the TRLU as damaging railway workers’ rights (*Railwaymen News Report*, 30/06/2003). The TRLU therefore began to take action to oppose the policies to defend members’ interests. In 2003, the government announced the deadline for corporatisation and privatisation of the Taiwan Railway, and the THSRC began to threaten

the traditional railway business. The TRLU began to address these policies and the impact of the THSRC.

After prolonged and disappointing negotiations with the government in association with small scale protests, the TRLU decided to go on strike to oppose government intentions. However, according to Labour Union Law, a decision to go on strike must be supported by more than half of the entire union members through a membership general meeting and the strike resolution must be adopted by more than two-thirds of the members present (Articles 20, 21 and 26). The TRLU therefore intended to hold a membership general meeting seeking members' endorsement for a general strike. At a union directorate on 12th June 2003, the TRLU chair was given permission to hold this meeting on a national holiday (Mid-Autumn Festival) on 11th September 2003 in order to gain members' support for a 7-day strike on the Lunar New Year holiday in 2004. By holding the membership general meeting, the TRLU intended to paralyse train services leading to *de facto* strike action by means of encouraging its members to attend the meeting.

For the TRLU, the difficulty of this complex intention was not in gaining enough support from its members at the membership general meeting but in how to paralyse train services successfully. The TRLU, TDF and railway management were aware that without the train drivers' support, it would be impossible to paralyse train services, since only train drivers can stop trains. The TRLU therefore actively negotiated with the TDF to make a deal with it to support this industrial action. On their part, managers hoped to persuade the TDF not to follow the TRLU's initiatives by offering its members financial incentives.

In fact, from 1997 when a new union chairman was elected to office, he had attempted to draw the TDF to the union's side. The idea for this incorporation was to strengthen the TRLU's capacity against managers and the government, because the TRLU understood the important role of the TDF in the railway industry. One of the most important leaders of the TDF, when I interviewed him, the incumbent general-president of the Confederation of the TDF,

accepted the invitation and became a full-time union official of the TRLU in February 1998. He related:

Before the 9/11 event, when Chang was the union chair, I was working in the TDF. He sincerely hoped that I could also serve in the union [as a full-time union official]. I accepted the invitation resolutely and determinedly.... I was aware that he was hoping to draw the TDF inside the union, because the union clearly understood that without the participation of the TDF, the union would have no end of misgivings, should they decide to take hostile action (interview, 05/09/2006).

In addition, this respondent went on to reveal the true motive for his decision to become a full-time union official of the TRLU:

The TDF is not an official organisation within the Taiwan Railway. Therefore, there are some concerns if we [the TDF] want to take industrial action against managers. It is almost impossible for a non-union organisation to organise industrial action [in Taiwan, because it would be against the law]. ... So, by the chance of working in the union, we can take advantage of the union's resources to develop and sustain the TDF's business (interview, 05/09/2006).

Although the TDF remained at an arm's length from the TRLU and managers, such incorporation was viewed as a union of the two workers' groups. However, according to interviews with senior officials of the TDF, train drivers voiced their concerns about the incorporation of the TDF. This concern became particularly acute when the current general-president of the Confederation of the TDF accepted the union chair's offer and became a union official (interview, 05/09/2006). The concern of TDF members reveals that the TDF tried to maintain its independence from both the TRLU and management so that it could gain better interests for its members. This situation became evident when the TDF was involved in negotiations with the TRLU and management on the 9/11 event.

In negotiations regarding the support for the 9/11 event, the TDF and TRLU came to an 'under-the-table' agreement in late July 2003. One TDF senior cadre, who participated in the negotiations, revealed:

The union chairman, chief secretary, union standing supervisor, and a number of union officials attended a handing-over ceremony of the chairmanship at the TDF's Chyayi branch [a county in mid-southern Taiwan] [in July]. By chance, we embarked on negotiations concerning the 9/11 event there. ... At the meeting, in order to win over the TDF's support, the TRLU acceded to three preconditions: first, the TDF would not play a leading role in the 9/11 event; second, the TRLU would mobilise at least 90 per cent of total members to attend the membership general meeting; and third, the TDF would take no responsibility for the industrial action. ... The TDF accepted these three assurances (interview, 06/09/2006).

Having obtained the TDF's commitment to support the 9/11 event on the basis of the aforementioned assurances, the union chairman then publicly announced that "all trains will stop for 24 hours on 11th September. It is imperative that members collectively take a day off to attend the membership general meeting on 11th September" (*United Daily News*, 28/07/2003: A10).

In the meantime, railway managers, on behalf of the government, had begun to negotiate with the TDF. Railway managers actively convened meetings with train drivers' representatives in the hope of persuading them not to participate in the union action. In the face of the conflicts of interest between the TRLU and railway managers, the TDF divided into two factions. One TDF cadre recalled:

In my view, it was very hard to predict whether this industrial action would succeed or not. ... Moreover, the railway official delegate had begun to negotiate with us. ... [In the face of this dilemma,] we were divided into two factions. One faction suggested that as we were union members, we should abandon sectionalism and support the union. However, in my opinion, the union had had little involvement in obtaining our existing benefits, which had been largely achieved by the TDF alone. Thus, as long as we had sufficient bargaining capacity, we should prioritise our interests. Second, we did not have an official document stating confirmation of the fringe benefits, including the driving allowances, granted to us after the May Day Strike in 1988. It was felt we should take full advantage of our forthcoming meeting with the government representative and request such documentation. We [TDF representatives] were discussing these issues on the way to meet the government representative [Da-wen Hsu, Chief Secretary

of the Taiwan Railway] in Hsinchu (a county in northern Taiwan). ... We decided to take the opportunity this meeting presented to resolve this long-standing problem. After this, we could decide what support we could provide to the TRLU in relation to the 9/11 event. During the negotiation, we said that by the end of August we must see an official document authenticating the driving allowances. If we did not see such documentation (before the deadline), then we would spare no effort in our support of the TRLU (interview, 06/09/2006).

The way in which the TDF negotiated with the TRLU and government representatives left room for the government to manipulate and divide the TDF and the TRLU. In late August 2003, the government agreed to grant what the TDF wanted and, in turn, requested its members to operate all trains on 11th September. After this, the Taiwan Railway director-general publicly announced that train services would run on the 11th September and tickets would be sold (*United Evening News*, 27/08/2003: 1). The government's decision left the TDF with a dilemma as to whether it should completely abandon the TRLU so as to secure its own members' interests. Nevertheless, this dilemma did not cause the TDF too much trouble because the TRLU failed to mobilise at least 90 per cent of total members to attend the general meeting. According to the TRLU's public announcement, of its more than 14,000 members, around 12,000 agreed to attend the general meeting, that is, 85.7 per cent of total membership (*United Daily News*, 09/09/2003: 3). This outcome gave the TDF an excuse not to support the action of paralysing train services on 11th September. At a meeting held in relation to this issue on 8th September, the TDF made a final decision, recalled by a TDF cadre:

We were required to operate all train services on that day by railway managers because our request had been fully granted. However, we were aware that if we did what railway managers expected, it could mean that we would have to come to an open break in our relationship with the TRLU. We therefore decided to stop some trains. ... We later explained to the TRLU that because the union had not fulfilled all its assurances to us, we were unable to fully cooperate with the union. ... We reached an agreement with railway managers to stop 20 trains on that day. Through this stoppage, we maintained our collaboration with the TRLU. Thus, not all trains ran, some stopped. This was a face-saving solution for all parties concerned (interview, 06/09/2006).

Accordingly, due to the agreement made between the TDF and railway managers, 20 unimportant commuter trains were out of service on that day (*United Evening News*, 09/09/2003: 3). For this reason, the TRLU's initial intention to paralyse train services by means of holding the membership general meeting thus failed. It could be argued that, in a sense, sectional interests were again the TDF's top priority. Such sectionalism gave the government an opportunity to minimise the possible political impacts that would result from this industrial action. All negotiations and resolutions between the TRLU, the TDF and the government took place in private. None of the press released related information until the day after the general meeting (*United Daily News*, 12/09/2003: A2). "The meeting would hold and the trains would run" was an untold common consensus as a means to break the deadlock between the three parties (*Min Sheng Daily*, 12/09/2003: A3). Although the TDF had confirmed its unwillingness to support the 9/11 event, it was still publicly in solidarity with the TRLU as confirmed by the general-president of the TDF:

I did not dare say plainly to the union chairman that train drivers would not cooperate with this industrial action on 11th September. According to Labour Union Law, it was simply a membership general meeting not strike action. We therefore would not stop train services by simply attending the meeting. To paralyse train services by holding a membership general meeting was legally untenable. Train drivers therefore would not be in the forefront of this action. We would budge in this regard. We would only support the strike action if certain assurances were met.... Nonetheless, the TDF was reluctant to totally break away with the TRLU and therefore, strategically, we still verbally announced 'we support the TRLU strike' (interview, 05/09/2006).

Accordingly, as the respondent revealed, instead of support by action, the TDF simply offered their verbal as well as moral support as a way of eschewing criticism from members of the TRLU. Against this background, the outcome of the membership general meeting was polarised. In terms of the strike ballot, the TRLU gained more than half of the railway workers' support for a 7-day strike against corporatisation and privatisation of the Railway on the Lunar New Year holiday in 2004. Of 14,268 members, 7,829 attended the general meeting. Of the total attendees, 7,812 voted to approve

the strike action. While the attendance rate was 54.9 per cent, approval for the strike was 99.7 per cent (*United Daily News*, 12/09/2003: A1).

This was the first such case of legal strike action (although the strike did not ultimately take place). Also, it was the support for it that forced the government, in the shadow of the May Day strike in 1988, to reconsider corporatisation and privatisation of the Taiwan Railway. However, the TRLU's initial intention to paralyse the passenger train service by holding the membership general meeting failed. This failure more or less damaged the TRLU's reputation, and the union chairman expressed his intention to resign because of this failure (although, subsequently, he did not resign). It could be argued that although both the TRLU and railway managers gained what they wanted, support for the legal strike and the running of trains, respectively, the biggest winner was undoubtedly the TDF, which more or less, sustained its relationship with both the TRLU and railway managers, while making gains for their members.

8.5 Another Union?

The railway industry has long been an important mode of domestic transport in Taiwan. Although all railway workers are important in terms of making trains run safely and on time, the importance of train drivers' skill still transcends that of others in the railway industry. This sectional differentiation results in differentiated interests and benefits and creates occupational strata in which train drivers dominate the higher and more privileged position within the railway industry. They tend to display more solidarity and militant attitudes than others in order to secure or improve their beneficiary status in the railway industry. While solidarity resulted from privileged occupational identity, craft radicalism stemmed from limited internal resources and from a hostile external political environment in which the party-state reigned. These two fundamental elements in association with the critical skill in driving trains secured the success of the TDF in the late 1980s.

This chapter's focus is on the issue of craft sectionalism and the consequences of this phenomenon. Although train drivers' sectionalism operates against collective railway workers' interests and provides the opportunity for railway managers to weaken the TRLU, the TDF has made its own gains in the process. Clearly, train drivers hold a critical function in railway operations. Train drivers' strong craft identity and common interests have enabled them to act together to uphold their own sectional concerns. Nonetheless, their solidarity served as a model for workers to challenge the government. Therefore, as well as achieving their sectional interests, train drivers' successful strike action in 1988 provided the TRWF with an example to follow for subsequent industrial actions as well as inspired other independent labour movements outside the railway industry. In other words, the strike inspired working class consciousness throughout the nation which, in turn, made the majority of railway workers understand the importance of the independent union. More specifically, in terms of the 9/11 event, although the TDF seemed to be the biggest beneficiary, its role still, in part, contributed to the success of the TRLU in terms of restricting the government's intention to implement privatisation of the Taiwan Railway.

Although their privileged position did not go unchallenged by other railway workers, evidence shows that train drivers were committed to defend their own interests. The role of train drivers and their affiliation to the TDF placed them in a critical position. Therefore, both the independent workers' groups (the TRWF and the later independent TRLU) and railway managers endeavoured to seek train drivers' support and assistance. Evidence indicates that the TDF gained from a 'dual track' negotiation with the TRLU and railway managers. As for the TRLU, it understood that it could not fight against railway management without the TDF's involvement. This situation was made clear by one senior union official. In responding to the question as to how important the train drivers' role was in terms of going on strike in the railway industry, he replied:

Yes, [train drivers are very important]. To be honest, we felt wounded because we were overshadowed by TDF's capacity to paralyse train services. We realised that we have to draw them to our side simply to increase our momentum. Frankly, as long as the TDF did not obstruct our goals, we let them pursue their own interests. (interview, 05/09/2006).

Therefore, the TRLU could not publicly break off its relationship with the TDF. However, the TDF's practice of prioritising train drivers' interests above those of other railway workers gradually deepened the rift between the TDF and TRLU. Arguably, the extreme consequence of craft sectionalism would be to completely break away from the incumbent industrial union and establish a new one. Since the majority of train drivers noticed that they could gain what they wanted through direct negotiations with railway managers, the power of the TRLU over train drivers seemed to be limited. In return, this encouraged the idea that train drivers should set up another railway union. The incumbent general-president of the Confederation of the TDF emphasised:

I have constantly suggested that the union chairman should incorporate more train drivers into the centre of union decision-making. ... I believe this could increase train drivers' impetus to support union policy. If he really hopes to see a strong railway union, this is what he must seriously consider. But I am not sure whether the idea is acceptable to him. As a general-president (and a full-time union official), I have a responsibility to bring train drivers into the union. If by chance the union should disappoint us, we would set up a new union. This would be a choice that we would want to make. ... Railway managers hope to stop train drivers working closely with the TRLU by means of granting us whatever we ask. This has made train drivers wrongly imagine that they do not necessarily have to rely on the union to strive for their interests. To be honest, this is a serious problem (interview, 05/09/2006).

The TDF, which is "highly autonomous and not controlled by the TRLU" (*United Daily News*, 12/09/2003: A2), performs functions similar to those of a real union. Therefore, the idea that the TDF would like to establish an independent train drivers' union seems to be simply bravado to demonstrate its strength and independence in relation to the TRLU and railway managers.

8.6 Conclusion

This chapter has explained the idea of craft sectionalism in the railway case. The Train Drivers' Fellowship, which is independent of the official TRLU, illustrates how craft sectionalism influenced union policy and practice. In the railway case, craft sectionalism resulted from strong craft identity and was strengthened by craft radicalism and solidarism. The features of train drivers' sectionalism were demonstrated through the first railway strike on May Day 1988. Although the strike was initiated simply to defend train drivers' sectional interests, it surprisingly had caused profound impacts not only in part upon the railway union's transformation but also on the wave of Taiwanese independent labour movements in the late 1980s.

The success of the TDF also created an 'atypical' model of labour-management negotiation in the railway industry. The most significant evidence of this type of negotiation was an increase in industrial disputes between the TRLU and railway managers over the issue of the development of the private THSRC and corporatisation and privatisation of the Taiwan Railway. The TDF strategically kept at arm's length from both the TRLU and railway managers in order to maximise train drivers' interests. Unlike its total break with the TRWF in 1988, the TDF manipulated its extraordinary position with the TRLU and railway managers in the run up to the 9/11 event in a more subtle and sophisticated way. Thus, the TDF maintained its relationship with the TRLU and gained what it wanted from railway managers.

In view of their privileged position within the railway industry, train drivers hold the view that instead of depending on the resources of the TRLU, they should be able to break away and set up another union for themselves. However, in my view, this way of thinking is more hot air than pragmatic. It could be argued that the TDF has sought to demonstrate its independence and to highlight its decisive role, particularly at the time when industrial disputes have occurred. In the foreseeable future, craft sectionalism will remain an

issue in the railway industry, in particular, when the government considers corporatising the Taiwan Railway, and when the private THSRC begins to threaten the prosperity of the traditional railway industry. However, although the TRLU has faced internal conflict with the TDF, it has still successfully demonstrated its hostility to privatisation and corporatisation of the Taiwan Railway and even shaped government policy.

Chapter 9

The Union and State Management

9.1 Introduction

Chapters 7 and 8 discussed the sources of union activism in the Taiwan Railway. This chapter further explores how the TRLU made use of union activism and its structural “advantages” in the Taiwan Railway and attempted to enhance bargaining capacity to oppose the privatisation policy. Although initially the TRLU was reactive to the issue of privatisation, it changed and has played a decisive role in influencing and shaping the privatisation policy from 1997 onwards. Aware of the emerging role of the TRLU, railway managers (many of whom were actually not keen to see the privatisation of the Taiwan Railway but lacked the ability to voice their opinion and concerns on the issue to the government) privately began to support the TRLU on this issue. The union then effectively spoke on the railway managers’ behalf. As for the TRLU, in practice, it needed to gain a bargaining status that was free from management intervention. The TRLU could make the best use of activism to impose pressure on the government by means of union action. I call this special relationship a “tacit alliance” since it was built upon the coincidental interests of the TRLU and railway managers. The formation of such an alliance was to stop the government implementing privatisation of the Taiwan Railway as well as to defend the interests of both parties in the alliance.

In Chapters 7 and 8, I argued that railway workers endeavoured to break off the connection with the KMT and develop the TRLU as an independent union. In the wake of the collapse of the party-state, railway managers also sought to insulate themselves from government intervention and to secure their own position. In the process, the TRLU and railway management recognised their mutual interests, and established a ‘tacit’ alliance in relation

to the privatisation policy. This chapter documents how the TRLU actually cooperated with railway management to collectively oppose privatisation for the sake of the future of the Taiwan Railway.

Railway managers held the view that railway problems mainly resulted from the failure of the government's inconsistent and careless transport policies towards the railway industry. They were therefore convinced that a change in ownership from the public to the private would not be the best policy choice to deal with these problems. Nevertheless, as revealed in Chapter 6, railway managers had a relatively low government status and lacked the capacity to effectively express their concerns and to oppose orders from the upper government level. Under these circumstances, railway managers sought help from other sources, and the TRLU was the railway managers' optimal "partner".

It could therefore be argued that the main rationale for collaboration between the TRLU and the railway management for collective resistance against privatisation was not similar to what has been observed in many post-socialist countries, for instance, Russia (Clarke and Fairbrother, 1993). Unlike Russian trade unions which showed collaboration with enterprise managers because they were dependent on management, the reason why the TRLU worked closely with management was because it was independent of railway management and the state. In the Taiwan Railway case, the cross-class collaboration had different meanings for both sides. Despite a common goal to delay the privatisation of the Railway, while the TRLU attempted to strengthen its independence and bargaining capacity, railway management regarded this as an opportunity to acquire proper managerial discretion and autonomy over the railway business.

9.2 Tacit alliance

During the party-state period, the state not only had full control over labour through the trade unions, but also intervened in the management of state enterprises both for considerations of national economic development and social stability (see Chapter 3). The managers of state enterprises served as civil servants delegated by the state to manage public enterprises and employees. In general, under government intervention, managers of state enterprises were required, on the one hand, to pursue efficiency related to higher productivity and profitability and, on the other hand, to take on a service responsibility. In order to achieve these often contradictory objectives, managers of public enterprises were limited in what they could do as managers.

The state managed the Taiwan Railway for various purposes, principally because of its role as a strategic industry in Taiwan (see Chapter 6 for more details). For instance, railway fare pricing is still in the state's control as part of its practice to counter inflation and for welfare programmes. Understandably, little managerial autonomy was granted to railway managers. However, when the Taiwan Railway's financial deficits and ineffective services became a major focus of public criticism, and when its monopolistic transport capacity was threatened by other modes of transport, railway managers became impatient with contradictory objectives and insufficient managerial prerogatives. Further, as the power of the party-state declined, managers attempted to limit political intervention and to regain managerial autonomy to manage the Taiwan Railway. The privatisation proposals provided railway managers with an opportunity to reverse what they saw as an unacceptable situation. In the face of a privatisation policy based on the separation of railway infrastructure and train operations, railway managers decided to present their voice through the emerging activist role of the TRLU. I will argue later in this chapter that railway managers and the TRLU attempted to prevent the Taiwan Railway from being privatised via a 'tacit alliance' between them.

The essence of this tacit alliance was a shared understanding between railway managers and the TRLU, and the furtherance of their coincidental interests, especially to restrain the state from implementing privatisation policies and the “separation” scheme (for a similar tacit alliance between the railway unions and railway management in British Rail, please see Pendleton, 1988: 289). This tacit alliance was formed when both railway managers and the TRLU faced threats in relation to privatisation. The formation of this tacit alliance was not based on formal or informal agreement but on coincidental interests between the two parties. These coincidental interests focused on the future sustainability of the Taiwan Railway. The TRLU and railway management became convinced that privatisation would put the future of Taiwan Railway in jeopardy and impose a threat to working conditions and pay. In this chapter I argue that this tacit alliance during the late 1990s and the early 2000s played an influential role in terms of the withdrawal of the notion of “separation” and the delayed privatisation of the Taiwan Railway.

What made the formation of this tacit alliance interesting was that while the TRLU once attempted to break relations with state management, in the wake of the independent union movement, now, a cross-class collaboration was created to oppose privatisation. This chapter aims to illuminate this cross-class collaboration process. But before doing so, this chapter needs first to assess the emerging role of the TRLU in representing railway workers’ opposition to privatisation. The role of the TRLU in the issue of privatisation became significant from 1997 onwards. I will then examine railway managers’ perspective towards privatisation of the Taiwan Railway. After discussing the different standpoints of railway managers and the TRLU, the tacit alliance will be examined.

9.3 The role of the TRLU in privatisation

It was not until the end of 1997 that the TRLU began to actively respond to privatisation, even though the union had been independent since 1991. Prior to 1997, the reasons why the TRLU's attitudes towards the idea of privatising the Taiwan Railway had not been clear cut were threefold. First, the Taiwan Railway was not placed on the privatisation list until the end of 1997, though the government had been studying an appropriate means to do so since the early 1990s. Second, TRLU officials generally did not believe that the Taiwan Railway could be privatised, because privatisation of the Railway would be too complex and would have profound impacts on the domestic transport market. As the incumbent TRLU Chairman stated:

At that time, we had heard of the government's intention to privatise the Taiwan Railway but we paid no serious heed to the idea. ... Why? Because the Railway's problems were too complicated. ... Not until the THSRC began to be constructed did railway workers take the issue [of privatisation of the Taiwan Railway] seriously (interview, 17/04/2006).

This way of thinking was not only found among members of the TRLU but also among railway managers. Railway managers' perspectives towards privatisation have been discussed in the following sections.

The third reason why the TRLU had not felt any sense of crisis was because the government had not come to a final decision about the development of a parallel high speed rail system. For these reasons, the TRLU still considered the proposal for privatisation of the Taiwan Railway as unlikely.

However, from late 1997 onwards, the TRLU's attitudes towards the issue of railway reform began to shift. The year 1997 saw a number of crucial events and decisions made by the government in relation to the future of the Taiwan Railway. First, the first private high speed railway bid was publicly determined in September 1997. The bid winner, a consortia alliance called the Taiwan High Speed Rail Corporation, (THSRC), announced that

construction would officially begin in early 1998 and the system shall be opened to the public in 2003 (*United Daily News*, 26/09/1997: 1; *Min Sheng Daily*, 26/09/1997: 21). Given that the Taiwan Railway's business would be largely undermined by this new private railway company, the government decided to place the Taiwan Railway on the privatisation list and implement its privatisation before the opening ceremony for the THSRC.

Having become conscious that the prospects for the Taiwan Railway were bleak, the TRLU began to take action to oppose the aforementioned developments. The first prominent union action occurred in the union election held in November 1997. Chang, a union activist known for his hostility to privatisation, was elected as the new union chair. In his election speech, Chang clearly indicated that his mission was to strive for an increase in bonuses for train crews and to oppose privatisation (*United Daily News*, 15/11/1997: 6). From that time on, the TRLU, under Chang's leadership, became hostile and actively involved in the issue of railway reform, particularly in relation to the development of the THSRC and privatisation. As a consequence, the relationship between the TRLU and the government gradually deteriorated, and the union frequently threatened to go on strike to defend members' interests.

It was not until 1999 that the TRLU's role became crucial in the issue of privatisation. At a meeting in 1999, with the Minister of the MOTC and the Director of the DOT, Chang was invited to hear and express opinions about the privatisation proposal presented by the Director of the DOT. At the meeting, Chang, on behalf of railway workers, strongly opposed the privatisation of the Taiwan Railway and the notion of "separation". In view of the TRLU's opposition to privatisation and the "separation" scheme, the Minister of the MOTC gave an official indication that consultation with the TRLU on the issue of privatisation would take place before the completion of the privatisation plan (see Chapter 6 for more details). As related by one senior railway manager:

At a meeting in late 1999, we [DOT officials and Taiwan Railway representatives] presented the plan to privatise the Taiwan Railway to the Minister [of the MOTC]. ... Chang, the union chairman, spoke up clearly and plainly in front of the Minister that the TRLU strongly opposed privatisation and the idea of separating the Railway's infrastructure and train operations. As a consequence, the Minister decided that such a meeting would not be held again until the Taiwan Railway's management and union generated a common consensus on how best to privatise the Taiwan Railway. ... It was the union's strong opposition stance that forced the government to shift its policy focus from 'separation' to 'integration' (interview, 29/03/2006).

When the Provincial Government was streamlined in 1999, the DOT (which had been merged into the MOTC) was no longer in charge of railway reform business. The MOTC therefore requested railway managers to continue to consider railway reform. This request made by the Minister at this meeting in 1999 could be regarded as a turning point for the TRLU. Henceforth, the role of the TRLU became decisive in the policy-making process. Nevertheless, in view of the deteriorating finances, the government had not given up the idea of solving the Taiwan Railway's problems through privatisation. In 2000, the government appointed a new Taiwan Railway director-general, Huang, who had never worked in the railway industry. It was believed that this new director-general was appointed for one primary goal, which was to work out a feasible privatisation policy for the Taiwan Railway that was acceptable to the TRLU.

Under the new railway director-general's leadership, privatisation through the "separation" scheme remained core to the government's plan, but it would be achieved through an indirect route (first corporatisation and then privatisation) and in a more moderate way. The idea was that the Taiwan Railway should be broken up. Accordingly, the new director-general presented to the MOTC in June 2000 *The Draft Plan for the Corporatisation Policy of the Taiwan Railway (tai-tie gong-sih-hua cao-an)* and an amendment to the three Railway Acts (*tie-lu-san-fa cao-an*). In contrast to the former "separation" scheme drafted by the DOT in 1999, this new plan emphasised that only when corporatisation had been successfully completed could privatisation of the Taiwan Railway be implemented. This new

director-general believed that outright privatisation could possibly jeopardise railway operations, as he stated at a Parliamentary enquiry in November 2000:

The reason why, before consideration of the privatisation of the Taiwan Railway, the TRA should first be restructured in a corporatised form is because the Taiwan Railway plays a decisive role in Taiwan's domestic transport market; therefore, its reform should be undertaken at a moderate pace. ... The Taiwan Railway should be granted reasonable operational conditions and environments whereby its operations and finances can be improved. ... Otherwise, if employees are worried about the privatisation policy and organise labour actions against it, this will cause trouble (*Hansard*, 2000).

The TRLU however, was irritated and would not cooperate with the director-general because it felt that he had not fully consulted with it, as requested by the Minister of the MOTC, regarding these proposals and listened to its members' concerns and suggestions before he finalised the corporatisation and privatisation plan. Therefore, the TRLU refused to endorse the plans. In November 2000, in the face of opposition of the TRLU, the MOTC had no choice but to ask Huang (the director-general) to continue negotiations with the TRLU and make a new plan (MOTC, 2005). In view of a number of fatal train accidents that had occurred in Britain and been attributed to the failure of privatisation, Huang, with the government's permission, decided to alter the privatisation plan from the notion of "separation" (the British model) to that of "integration" (the Japanese model). Huang thus drafted and proposed a new plan, *The Basic Concept of the Corporatisation of the Taiwan Railway* (*tai-tie gong-sih-hua jih ji-ben gou-siang [cao-an]*), to the MOTC in November 2001 (MOTC, 2005). The emergence of this draft plan conveyed a number of important messages. First, in the draft plan, the idea of "separation" was officially withdrawn and replaced by the idea of "integration". Second, in this new plan, the idea of solving railway problems through privatisation was marginalised and more emphasis was placed on corporatisation. However, it should be noted that the privatisation of the Taiwan Railway was not completely withdrawn. In fact, in order to elicit various opinions among different Ministries and government departments,

the MOTC established a *Committee for the Promotion of the Privatisation of the TRA (tai-tie min-ying-hua jhuan-an tui-dong siao-zu)* in August 2002.

Under pressure from the TRLU, this Committee was renamed the *Committee for the Promotion of the Corporatisation of the TRA (tai-tie gong-sih-hua jhuan-an tui-dong siao-zu)* in April 2003. In line with the establishment of this *ad hoc* Committee in the MOTC, the TRA restructured the *Committee for Promoting the Privatisation*, established in 1997, into two units. One was a decision-making unit, the *Committee for Corporatisation of the TRA (tai-tie gong-sih-hua jhuan-an siao-zu)*, and the other was an executive unit, the *Working Group for Corporatisation of the TRA (tai-tie gong-sih-hua gong-zuo siao-zu)*. From that time, the privatisation of the Taiwan Railway was no longer emphasised, (but not withdrawn) to calm railway workers and the TRLU. However, despite the government's huge concession towards privatisation, railway workers intensified their opposition to the government and adopted even more radical actions against the policy. This was because they were convinced that corporatisation was simply an interim measure, and privatisation was the government's ultimate goal. The TRLU threatened to go on strike as one senior TRLU official recalled:

From the 1990s onwards, the idea that the government wanted to privatise the Taiwan Railway had gradually developed. But the government's intention only became clear and stronger when the new director-general, Huang Teh-chih, came to office [in 2000]. ... Before his appointment, senior railway managers did not take the privatisation plan seriously. When he came to office, we all felt that he had simply come to be an executioner and to complete the [privatisation] policy. ... He acted without delay. ... He worked out a *Rehabilitation Plan* for the Taiwan Railway, within which he specified how the Taiwan Railway would be restructured and presented a detail schedule. ... He also came to us for advice about the *Rehabilitation Plan*, but he did not take our advice into account. ... We therefore used this opportunity to inform our members that 'he was coming to terminate the Taiwan Railway.' ... Therefore, in face of the director-general's hostility and ignorance, and the build-up of pressure for corporatisation and privatisation of the Railway, the union told members to defend their *fan-wan* [rice bowl, literally livelihood]. The 9/11 event [in 2003] was simply to defend our *fan-wan* (interview, 05/05/2006).

Prior to the 9/11 event, a number of union actions had taken place to express the TRLU's opposition to both the privatisation policy and the THSRC. Of these union actions, the protest on 24th February 2003 was prominent because its scale and the way in which the TRLU expressed its grievances were unusual. The protest was mainly against the government's decision to lease half the infrastructure (two platforms and four tracks) at the Taipei Main Station to the THSRC. This decision would force the Taiwan Railway to reduce 104 scheduled trains per day with an estimated NT\$2.4 billion loss per year (*United Evening News*, 19/02/2003: 4). The TRLU accused the government of apparently favouring the private competitor and ignoring the Taiwan Railway's interests (*Taipei Times*, 13/06/2003: 2). Responding to a call by the TRLU, more than 2,300 union members got together at Taipei Main Station to protest against "the exploitation of the Taiwan Railway with the intention to profit the THSRC" (*United Daily News*, 25/02/2003: 2). Under Chang's leadership, some activists even lay on the track to stop trains running, thus demonstrating their determination to protect their interests and the future of the Taiwan Railway. These protest actions upset the government and Huang. Nonetheless, the government still announced that the provisional deadline for corporatisation remained 2004, before the THSRC opened in 2005¹ (*Taipei Times*, 25/02/2003: 2 and 12/09/2003: 3). The railway union and its members decided to intensify their confrontation with the government because they were deeply convinced that workers would lose their jobs and have to undergo a cut in salaries (*Taipei Times*, 13/06/2003: 2).

At a union directorate on 12th June 2003, Chang won support from union directors to hold the first membership general meeting on the national holiday on 11th September 2003. The union planned that railway workers would take a day off on this national holiday to attend the meeting to cast their votes as to whether they supported a 7-day strike on the Lunar New Year holiday in 2004 to oppose the privatisation policy. Despite the strike threat, in August 2003, Huang still gave a presentation of the *Draft Plan of*

¹ The initial anticipated date of the opening ceremony for the high speed railway was delayed from 2003 to 2005. However, it actually opened to business in 2007. As for privatisation of the Taiwan Railway, the scheduled date was also delayed from 2002 to 2007.

the Corporatisation of TRA (TRA Rehabilitation Plan; tai-tie gong-sih-hua ji-ben fang-an [cao-an]: tai-tie zai-sheng ji-hua) to the MOTC. In reply, Chang, the TRLU Chair, developed several counter proposals which included:

- (1) The government must publicly announce the termination of corporatisation and privatisation of the Taiwan Railway.
- (2) The government must propose a solution and execution schedule for the Taiwan Railway's debt problems.
- (3) The government must subsidise the Taiwan Railway by covering the deficits of local train stations and take care of the debts incurred by senior and disabled citizens' discount tickets and infrastructure maintenance expenses.
- (4) The government must make the employment restructuring of the Taiwan Railway a priority, and finalise plans by the end of the year (2003).
- (5) The government must respond to the TRLU's three labour disputes concerning bonuses for employees, flexibility of shifts and adjustments to the amount subsidised for work-related travel (Taiwan Railway Labour Union; *Taipei Times*, 28/08/2003: 1).

These proposals were announced publicly and set the terms of debate (discussed below).

As indicated in Chapter 8, although the strike-like action failed, more than half of the TRLU's members still attended the meeting and voted in support of strike action to oppose the privatisation policy. This historic event alarmed the government and it therefore decided to make a concession to the TRLU's requests. Accordingly, the idea of privatising the Taiwan Railway faced an unprecedented setback and was even temporarily withdrawn because of the TRLU's opposition.

In short, the emerging dominant role of the TRLU had a far-reaching effect on railway reform through privatisation. The TRLU had not responded to privatisation until a change in leadership in 1997 had taken place.

Subsequently, the TRLU began to demonstrate its determination and hostility towards privatisation, making it difficult for the state to promote the policy. In addition, this standpoint coincidentally attracted railway managers whose role had long been neglected by the state in the issue of railway reform.

9.4 Railway managers' perspective towards privatisation

While the anti-privatisation stance became evident within the TRLU and among the majority of railway workers, many railway managers also became concerned about privatisation policies. In fact, railway managers possessed mixed feelings towards privatisation. What they actually expected to see was a revitalised traditional railway system by means of organisational restructuring. They were convinced that corporatisation was the best future development for the Taiwan Railway. Privatisation was not welcomed among railway managers for two reasons. First, it could be argued that railway managers lacked financial incentives to support this state-driven privatisation policy. In contrast to the British experience (e.g. Bishop and Kay, 1989: 652), managerial advantages were never mentioned in the policy proposals. Therefore, it could be argued that in the absence of other incentives, privatisation was less likely to be supported by railway managers.

Second, railway managers were generally annoyed that, as the only 'genuine' experts in the railway industry, and practitioners in Taiwan, their opinions and experience in studying railway problems and solutions had been neglected and overwhelmed by the so-called 'railway experts' who had never actually worked in the railway network. One senior railway manager commented in this regard:

The reason why the Taiwan Railway encountered such difficult problems was because the issues of the railway industry required professional expertise. We had always done our best to present our

experience on site, the problem was that the government did not value solutions we provided (interview 06/04/2006).

This was echoed by the former railway director-general (1995-2000):

The Taiwanese government did not conduct an in-depth investigation of the ramifications of privatising the Taiwan Railway. The government did not take professionals' [meaning railway managers] advice seriously (interview, 20/04/2006).

In one sense, nostalgia made railway managers unwilling to see the end of the railway network and organisation to which they had devoted their entire working lives. Instead, they even thought that the privatisation goal was virtually impossible to achieve in light of the current financial situation. As one respondent, who was the first railway director-general (between 1995 and 2000) and directly involved in planning privatisation of the Taiwan Railway, indicated:

The government simply thought that the Taiwan Railway should be privatised because of its heavy financial losses. It seemed to me that the government believed that privatisation was its only and the last resort to deal with railway problems. The government thought that only privatisation could save the Taiwan Railway. ... However, I explained to workers that due to its poor financial performance, the Taiwan Railway could never be privatised. Who would buy the shares of a loss-maker? In contrast, corporatisation could bring us many advantages. As long as the Taiwan Railway was corporatised, we could conduct business diversification to increase revenue. ... The government should not regard privatisation as the only means [to solve the Railway's problems]. ... To be honest, [I was convinced that] privatisation of the Taiwan Railway was not possible (interview, 20/04/2006).

This point of view was echoed by his successors and other senior managers. For instance, another former railway director-general (between 2003 and 2006) remarked:

I believe that the railway system in Taiwan cannot be privatised. ... Yes, I totally agree that the reform of the Taiwan Railway must be conducted thoroughly. But, the Taiwan Railway cannot be reformed under the existing organisational structure. Corporatisation could make the Taiwan Railway's managerial

techniques more commercially oriented. It would help to reform the Taiwan Railway's organisational structure and remove current hardships. ... Therefore, in my view, corporatisation is the only way to save the Taiwan Railway from its troubles. If the Taiwan Railway could be corporatised, it might survive, otherwise, it will not. This is a plain and obvious fact (interview, 19/04/2006).

As I argued in Chapter 6, one of the main reasons why the government insisted on implementing privatisation of the Taiwan Railway was because of its poor financial performance. However, railway managers denied these claims and attributed such performance to the government's negligence and inconsistent railway policies. Railway managers did not know what managerial objectives they were pursuing. Were they providing public services (which would increase operational costs) or striving for profits? In other words, they were not convinced that a change in ownership would be the best policy choice to increase efficiency and solve problems. Instead, they believed that the solution for the Railway's problems rested with the clarification of responsibilities between the Taiwan Railway and the government. In addition, they also expected that, by means of this reform opportunity, any past and future financial debts would be underwritten by the government to make the Taiwan Railway debt free and able to compete with competitors. They were convinced that privatisation was too radical and risky for the future of Taiwan Railway, whereas corporatisation was much more moderate and acceptable. For them, corporatisation was a decisive action to help the Taiwan Railway out of current hardships but without drastic change. As the former director-general (between 2000 and 2003) confirmed:

We all agreed that the focus of corporatisation of the Taiwan Railway was to clarify the Taiwan Railway's operational objectives as to whether it was an organisation focusing on making profits or providing public services, and to clearly divide its cost structure as to what operational costs would come under the government's responsibility (interview, 07/04/2006).

This respondent's remarks indicate that the objectives of the Taiwan Railway were not clearly understood. As a manager of the Taiwan Railway, he had an obligation and responsibility to clarify operational objectives for the benefit and long-term interests of both the Railway itself and railway workers.

Therefore, in general, railway managers believed that if the government could clearly define operational objectives, reduce intervention and grant autonomy to railway managers, the Taiwan Railway could perform differently. This idea has been constantly emphasised by respondents who worked in the Taiwan Railway. One senior railway manager reiterated:

At a meeting held by the Committee for the Promotion of the Privatisation of the TRA, the first question asked by experts and scholars was how the government defined the Taiwan Railway's objectives. Actually, no one was able to answer this question even up to date. If the government saw the Taiwan Railway as a public service provider, it should not take account of its financial deficits resulting from providing unprofitable public services. Similarly, if the government regarded the Taiwan Railway as a profit making institution, it should reduce intervention and grant the Railway managerial autonomy. Unfortunately, the government provided no clear-cut response or objective (interview, 06/04/2006).

The TRLU's chief secretary also made a similar judgement about the Railway's problems and the failure of the government to define the Railway's objectives:

Instead of making profits a guideline for transport policy, the government has obligations to provide convenient and cheap transportation for the public. ... It should not be important whether the Railway makes profits or not. The more the Taiwan Railway loses in finance, the better the service the government provides. Besides, the government should not denounce railway workers as the main cause of the Railway's financial losses. ... The Railway's operational objectives must be clearly defined by the government for this reason (interview, 15/06/2004).

However, even though railway managers thought this way about privatisation, they could not oppose publicly because the status of the Taiwan Railway within the governmental hierarchy made it impossible for railway managers to argue against government policy and to express their concerns plainly and clearly to the government. They could only abide by the government's orders to plan and study privatisation, even though they were reluctant to do so. In the face of their vulnerable situation, what they could do was, on the one

hand, to react slowly and passively, and on the other hand, seek help from a third party.

In short, it was striking that even railway managers did not fully support the idea that the Taiwan Railway's problems should be dealt with by privatisation. Although railway managers are regarded as being delegated by the state to manage the Taiwan Railway, they perceive themselves more specifically as part of the railway. For this reason, they had obligations to defend the railway's reputation as 'railway workers'. Therefore, as long as the Taiwan Railway bore the hardships that stemmed from the state's policies, they were placed in an invidious position. However, as a state management, their status was dependent on the state. The question was how could their voice be heard?

9.5 Formation of the tacit alliance

In view of their invidious position and the emerging dominant role of the TRLU, railway managers decided to rely on the TRLU to speak for them. A tacit alliance was therefore established between the TRLU and railway managers on the privatisation issue. The former general-director clearly explained the rationale for the formation of this alliance:

I had been persuading Chang, the union chairman, [in the late 1990s], that I, as a representative of the Taiwan Railway, must understand what railway workers were thinking, whilst he, as a workers' representative, should also understand what the employer's thought was. ... We should therefore closely cooperate with each other to help the Taiwan Railway to become better. Sometimes, it was through you to express an opinion, whilst at other times it was mine to lead the way. This was the only way to help the Taiwan Railway prosper (interview, 20/04/2006).

Although it was not made clear how Chang responded to that invitation, what is evident is that since his leadership, the TRLU began to play a dominant role in negotiations with the government, regarding privatisation. In the face

of the privatisation threat, a tacit alliance was formed between the TRLU and railway management opposed to the idea presented by the Director of the DOT to the Minister of the MOTC in 1999. As I mentioned earlier, in light of the TRLU's strong opposition to the idea, the Minister of the MOTC hesitated to make an outright decision on privatisation and, instead, requested railway managers to formulate a plan with the TRLU that would be acceptable to all parties concerned. After this meeting, both railway managers and the TRLU gained what they wanted. Managers gained an important role in railway policy-making, which had long been in the hands of provincial government officials and railway experts. They were now able to make a plan that would be suitable and applicable to the Taiwan Railway's management. The TRLU gained a critical negotiation position where its opinion in relation to railway reform would be valued and actively considered.

Nevertheless, in 2000, the government appointed a new railway director-general, with no direct experience of the railway industry, with the task of continuing the planning process for privatisation. The new director-general still proposed the "separation" scheme. His stance worried both the majority of railway managers and the TRLU. For this reason, the tacit alliance was again activated. The success of the 9/11 event was in part the outcome of this tacit alliance. Although the strike action failed because the government had intervened and, consequently, train drivers were bought off, more than half of union members still attended the general meeting. The TRLU hoped that railway managers would not threaten to implement administrative punishment to workers who attended the general meeting so that this industrial action could proceed smoothly. The TRLU could then exert union activism to the utmost to impose the strongest pressure possible on the government. A former TRLU Chief Secretary related:

One of the reasons why the first union membership general meeting was so successful was because local railway managers did not intervene, which enabled us to display a vigorous mass movement against government policy. Otherwise, such massive union action would have been difficult in Taiwan (interview, 15/06/2004).

The majority of railway managers hoped to create an environment in which the Taiwan Railway could prosper and operate successfully in the future. They wanted the government to clearly define the role of the Taiwan Railway and to subsidise financial losses. As one senior railway manager, who had been directly involved in planning railway reform, explained:

Of course, seemingly we, as the employer, hoped that the TRLU would not hold the general meeting. However, privately, we were all convinced that if we did not cooperate with the TRLU, our requests for the underwriting of debts and managerial autonomy with regard to the Railway's future would have never been valued and granted. ... I even helped union officials to make their demands and arguments to be more complete and sound when they were confronting the government. ... Without our alliance with the TRLU, the government would never have consented to or respected our requests. Under such circumstances, we needed the TRLU's help. No matter how much effort we have expended on considering the reform proposal and making suggestions, the government simply ignored or even rejected our ideas. But, as soon as the TRLU opposed the privatisation policy, the government began to take the railway issues seriously (interview, 16/06/2004).

The government delegated Da-wen Hsu, who was the Taiwan Railway Chief Secretary and the then director-general, with the responsibility of negotiation with the TRLU to avert the intended industrial action. Hsu made use of union activism and a potential general railway strike to persuade the government to accept the TRLU's requests, particularly those for a delay to privatisation and the granting of financial support to the Taiwan Railway so that the strike action might be called off. This strategy succeeded. In view of the potential strike, which would have had a catastrophic impact on the upcoming presidential election in March 2004, the government took Hsu's advice and responded to the TRLU's five appeals (p.217) by issuing an official document on 16th December 2003 (*United Daily News*, 17/12/2003: A11). In part, it stated:

- a) The basic preconditions for the implementation of corporatisation of the TRA are: (1) all historical and future debts (estimated around NT\$180 billion), including pensions,

will be underwritten by the government; (2) the government will subsidise unprofitable public services provided by the Taiwan Railway; and (3) the government will take full responsibility to fund infrastructure construction, and maintenance, and purchase locomotives. (The estimated amount of the first precondition was around NT\$180 billion, while the annual total expenditure for the following two elements was around NT\$4.6 billion.)

- b) Having agreed these basic preconditions, the government will consult the TRLU and gain its consent on all necessary legal enactments in relation to the corporatisation of the Taiwan Railway. Only when all related legal and administrative measures have been completed can the government implement corporatisation.
- c) Corporatisation of the Taiwan Railway is the goal at this stage. Only when the objective and subjective conditions are met can the government begin to consider the schedule of the privatisation of the Taiwan Railway (Executive Yuan, Official Document No. 0920093777).

Apart from the above, which directly related to the future of the Taiwan Railway, the government also agreed to increase the allowance and bonus for train crews by 50 per cent, to pay an incentive bonus for workers who had no direct or indirect responsibility for a train accident, and to adopt a flexible day shift (that is three shifts a day) (Executive Yuan, Official Document No. 0920093777).

The TRLU chairman subsequently held an *ad hoc* membership representative general meeting on 19th December to discuss how to respond to the government's response in relation to the industrial action. At the meeting, union representatives decided to call off the strike action. As the union chair pointed out, "if the Executive Yuan has made such concrete commitments,

the strike will be extremely difficult to carry out” (Lee, 2003). In one sense, both railway managers and the TRLU obtained what they wanted. Railway managers further gained the government’s written confirmation and guarantee granting them a dominant role in railway policy-making. In many senses, the commitment to subsidise unprofitable public services and underwrite debts meant that the government had attempted to define managerial objectives. Although this was more ideological than practical because the government was still in control of some managerial authorities, like fare pricing, this was a huge breakthrough for railway managers. As for the TRLU, it obtained firm confirmation that implementation of the privatisation policy would be delayed. A senior railway manager indicated:

I thought that the opposition to government’s privatisation would be successful only if we [railway managers and the TRLU] cooperated with each other. You see, the 9/11 event was very successful (interview, 15/06/2004).

Referring to the tacit alliance between the TRLU and railway management, a union official remarked:

After the 9/11 event, there was a delicate relationship between the TRLU and railway managers. There was no so-called the employer, since managers identified themselves as part of the railway. Both employees and managers collectively benefited from better conditions provided by the government. If there was something which managers did not dare to negotiate with the MOTC, the TRLU would speak up on their behalf. ... Without the TRLU cooperation with managers, Hsu would not have been promoted to the director-generalship. ... The government thought Hsu made a great contribution in terms of dealing with the 9/11 event (interview, 17/06/2004)

However, the ‘achievement’ of this tacit alliance created polarised perspectives. One emphasised that what the TRLU and railway managers wanted was more money and more financial subsidies which ignored the government’s and passenger’s requests for an improved railway service and a reduction in operational defects. A legislator commented:

I thought the TRLU’s requests resembled blackmail. Its members

simply thought that the precondition of corporatisation [and privatisation] of the Taiwan Railway meant that the government would take full responsibility for the Railway's debts. ... The Taiwan Railway would have made more money, if railway workers had improved their efficiency (interview, 24/05/2006).

This comment was underpinned by the thought that the removal of debts and an increase in subsidy were nothing to do with solving the problem of the Railway's inefficiency. This respondent believed that the TRLU and railway managers had made best use of the fact that the government wanted to remove the threat of the upcoming strike since it would have catastrophic consequences for the ruling party and asked the government to grant them what they demanded. The issue of inefficiency still remained unsolved, because, obviously, the focus of the TRLU's five appeals and the Official Document were basically on issues of finance and privatisation. Efficiency improvements were not considered and discussed in the negotiation process. Deficits would be accumulated again as long as inefficiency remained.

Understandably, both the TRLU and railway managers denied this account by presenting their points of view. First, they argued that "without calculating expenditure of public service obligations and historical retirement pensions, the railway transport business is essentially profitable" (interview with the former director-general, 19/04/2006). Therefore, they believed as long as the government could help to reduce the financial burdens, the Taiwan Railway should be able to survive. Second, the government's commitment to subsidise infrastructure maintenance costs and the provision of unprofitable public services helped to clarify operational responsibilities between the government and the Taiwan Railway, which railway managers had long been requesting. Third, both the TRLU and railway managers thought the financial commitments made by the government were what the government should have made previously, what the government needed to maintain to secure the future of the Taiwan Railway, and were a precondition for a sustainable business. A senior railway official explained:

After the 9/11 event, the government promised to pay for the Taiwan Railway's historical debts. This would give us at the very

least a chance to restart and revive. If the government wants the Taiwan Railway to reform, then the government should give the Railway a new opportunity to operate. It is unfair to require the Railway to bear those debts, which did not generate mainly from inefficiency, and at the same time to ask the Railway to accept corporatisation and privatisation (interview, 05/05/2006).

In other words, both the TRLU and railway managers believed that what they had requested was fair and justifiable. Only if the government promised to provide financial support did the corporatisation of the Taiwan Railway become meaningful and practicable. Otherwise, “Taiwan Railway Co. Ltd. would go bankrupt soon after it was corporatised” (interview with the former director-general, 19/04/2006).

Although in one sense the tacit alliance was very successful, the TRLU was still disappointed that its goal had not been achieved. A union official contended, “the ultimate outcome [of the 9/11 event] was to allow railway managers to do things freely and easily” (interview, 16/06/2004). Chang, the main organiser of the 9/11 event, stated, “In terms of the essence of the labour movement, the 9/11 event was not successful, because we did not accomplish the expected goal [the paralysis of train services]” (interview, 16/06/2004). The reason why Chang said the event had failed was because the intention of causing strike action on that day had not succeeded (for more details, see Chapter 8). But it should be noted that Chang did not attribute the failure to the effect of the train drivers’ sectionalism but to the government’s intervention. This implied that the TRLU in effect still hoped to maintain a good relationship with train drivers and their association, the TDF. Nevertheless, even though the TRLU argued that it was railway managers who gained benefits from the union action, the TRLU actually won an unprecedented bargaining position with the capacity to influence railway reform. The tacit alliance was exerted most tellingly.

Even though the government still lacked the determination and strategies to deal with the Taiwan Railway’s problems, understandably after the issuance of the Official Document, the government’s attitudes towards railway reform via corporatisation and privatisation was less strident. In contrast, because of

the success of the tacit alliance, the role of the TRLU and railway managers became decisive. However, the formation of the tacit alliance did not imply there was no conflict of interest between the two parties. Although they formed the tacit alliance to oppose privatisation, they adopted different perspectives towards the effect of corporatisation. While railway managers believed corporatisation was an appropriate policy to sustain the Taiwan Railway's future, the TRLU was convinced that privatisation would follow soon after corporatisation. This latter view implied that the TRLU believed that corporatisation was the first step towards privatisation. As a result of these conflicting perspectives, the railway reform process became slow and even came to a standstill. The government had delegated railway managers on behalf of the MOTC to continue negotiations with the TRLU in order to reach a consensus on corporatisation. However, after a six-round negotiation between managers and the TRLU between 2004 and 2006, union officials decided not to carry on any negotiation on this matter, and further requested the government to stop not only privatisation but also corporatisation.

9.6 Conclusion

This chapter has analysed the rationale for the formation of a tacit alliance in the Taiwanese railway industry and the role that this tacit alliance played in the railway reform process. In the wake of the decreasing power of the party-state, the TRLU endeavoured to strengthen its independence by breaking off its relationship with railway management, while railway managers attempted to regain managerial autonomy. Their interests obviously were antagonistic to each other in many respects. However, in the context of privatisation of the Taiwan Railway, the TRLU and railway managers found coincident interests which drew them together with shared and seemingly unspoken understandings. This cross-class collaboration was surprisingly successful in that the idea of dealing with railway problems through privatisation was postponed and *de facto* withdrawn. Their collaboration represented an unusual but understandable practice in which the TRLU and railway

managers pursued their collective interests for a sustainable future for the Taiwan Railway.

However, this is not to suggest that there was no conflict of interest between the TRLU and railway managers. The most significant conflict of interest between them was their perceptions towards the corporatisation policy. While the TRLU regarded corporatisation as a threshold for complete privatisation, railway managers saw corporatisation as the only way to save the Taiwan Railway and to strengthen their managerial prerogatives. In the face of this apparent conflict, the TRLU decided not to carry on any negotiation with railway managers whom the government had delegated to talk with the TRLU on these matters. For this reason, the idea that the Taiwan Railway should be corporatised in order to survive in the increasingly competitive transport market was again challenged and progress was further delayed. From this perspective, the power of the TRLU still prevailed, irrespective of the tacit alliance in which railway managers provided it with support, when negotiating with the government on the issue of privatisation.

Part IV
Conclusion

Chapter 10

Assessment

– arguments, implications and conclusions

10.1 Introduction

The aims of this chapter are, first, to review and elaborate on the main arguments identified in the empirical chapters and, second, to address the implications of the findings for Taiwanese trade unionism and possibly trade unionism beyond Taiwan. This will involve assessing and analysing arguments with respect to: (1) privatisation and the state; (2) privatisation and capital; and (3) privatisation and trade unions. Accordingly, this chapter draws the threads of the analysis together.

The TRLU, the core of this research, is a very specific case in Taiwan. It was developed by an authoritarian state mainly for the control of labour and was, therefore, known for its dependency on the party-state apparatus. However, its transformation from a dependent to an independent union demonstrates a most valuable and noteworthy experience in the trade union movement. The discussion of their transformation process has been based upon an examination of the role of the state, capital and trade unions in the context of privatisation. This chapter will argue that in order to understand the different positions taken by organised labour in relation to privatisation it is necessary to consider both structural factors (market structure and financial status) and organisational capacity.

10.2 Privatisation and the state

When the global economy encountered unprecedented stagflation due to two oil crises and the failure of public sector management in the 1970s, the mainstream macroeconomic policy based on Keynesianism (emphasising the importance of government interventionism) faced severe criticism. The failure of Keynesian economics stimulated a shift to neo-liberal policies, with their focus on privatisation and related policies. Advocates of neo-liberalism were convinced that government interventions implied ineffective management of public enterprises (Moore, 1986). From the 1980s onwards, under the leadership of British Thatcherism and American Reaganism, neo-liberalism (represented by privatisation initiatives) became a prominent global trend (Farnham and Horton, 1996). Neo-liberal policies were not only adopted in the 1980s by developing countries under the structural adjustment programmes of the IMF and World Bank, but also implemented in the 1990s in post-socialist transition economies where Western liberal democratic countries had specific strategic interests.

In the face of macroeconomic deficiencies, developing countries, generally speaking, were forced to adopt and implement privatisation under pressure of the IMF and World Bank. The provision of loans, investments and aid for developing countries was conditional upon the adoption and implementation of privatisation. In contrast to developing countries, in post-socialist transition economies like the former Soviet Union and those in Central and Eastern Europe, the role of the West was much more crucial, although privatisation was also the result of intervention from supranational financial agencies. I argued in Chapter 2 that to maintain national defence and geo-strategic interests, Western developed governments endeavoured to help these transition economies by providing economic assistance and promoting democratisation, both conditional upon the adoption of certain reform strategies, including privatisation. In both developing countries and transition economies, the general origins and motives of adopting and implementing privatisation were seen as central to economic transformation, via financial

help from the IMF, the World Bank, and support and advocacy from key Western developed governments. However, the role of the state in the privatisation process in Taiwan was different both economically and politically, and, therefore, presented itself as an interesting and important case. Research Question One (*Given that Taiwan was a Leninist party-state, was the process and issue of privatisation in Taiwan similar to that in post-socialist countries, developing countries or advanced capitalist countries?*), formulated to address the role of the state in Taiwan is answered below.

In answer to Research Question One, it can be argued that Taiwan is a distinctive case, drawing on elements of both the developed and transition countries. The most apparent differences were as follows. First, economically, in contrast to developing and transition economies, Taiwan did not face serious economic recession during or even after the oil crises, but continued to grow soundly and robustly with a relatively high economic growth rate and low unemployment and inflation (see Chapters 1 and 3). Politically, the KMT's Leninist type of political control began to change from the late 1980s onwards, but did not collapse as in the former Soviet Union. This implies that although Taiwan was in transition from a party-state system to a liberal democracy, the changes took place in a relatively orderly way. Therefore, when compared with other developing countries and transition economies, Taiwan did not experience pressure from the IMF and World Bank, partly because Taiwan was not a member of the aforementioned organisations, but also because Taiwan did not encounter political and macroeconomic chaos during the transition process. Unlike other transition economies, which desperately required external resources to help stabilise politics and the economy, Taiwan was free from such considerations. Although from the 1980s onwards, budget deficits in Taiwan began to accumulate because of increases in public investments and social welfare expenditure, it is still argued that this was not sufficient for the KMT to consider privatisation (Chang, 2002). Therefore, in Taiwan, the decision to adopt privatisation was not driven by the political and economic uncertainty associated with transition countries.

Second, as I discussed in Chapter 2, one of the main political considerations for the British Conservative government, when implementing privatisation, was to diminish trade union power. However, this was never at the forefront of the KMT government, when considering privatisation (see Chapters 3 and 5). Close and orderly industrial relations and dependent trade unions were the norm during the party-state period. Further, in line with political democratisation and the emergence of a working class consciousness, the KMT's power over the trade unions gradually weakened. While the development of an independent union movement, associated with an increase in the number of labour disputes, to some extent disturbed the ruling party, such disputes tended to be limited in their overall political impact. At the time when the Taiwanese state was considering privatisation, to control deteriorated industrial relations was not its main rationale. It had little intention or pressure to control the unions. Finally, in contrast to the British government in the 1980s, privatisation was not considered by the ruling KMT as an electoral policy to win votes from constituencies (see Chapter 3). In other words, privatisation in Taiwan was not initiated entirely for fiscal considerations, nor to reduce the strength of trade unions, or for short-term deliberations in relation to political elections.

Taiwanese politics, the economy and society had been dominated by the authoritarian party-state system through martial law for 38 years (1949-1987). The Taiwanese state led by the only party – the KMT – effectively deployed its supreme power, supported by the military. However, unlike other countries which also adopted the party-state type of political control, the Taiwanese state strategically and ideologically allowed the development of capitalism, regulated by the state, to eliminate any source of opposition. This two-way development strategy characterised the Taiwanese state between the late 1940s and 1980s. The significance of this particular state development strategy not only effectively consolidated the KMT regime in Taiwan through political repression and exclusion, but also successfully built Taiwan through state corporatism and state regulated capitalism into a country where economic prosperity and orderly industrial relations were both embedded.

However, this state development strategy was challenged and became difficult to sustain when external and internal pressures built up after the late 1970s. These pressures accelerated in the 1980s. In terms of external pressure, international trade was the most important factor driving Taiwan to adopt neo-liberalism strategies, including privatisation. In contrast to other developing countries and transition economies, the Taiwanese economy was a success, which was built on international trade, and in particular on the US economy. The problems of this kind of economic development became clear when the US exerted trade sanctions demanding that Taiwan cut subsidies and liberalise and deregulate the market. In line with economic deregulation and liberalisation, America, as it did to other transition countries, also demanded that Taiwan embrace democratisation.

Within Taiwan, the problems associated with public enterprises also became a more immediate reason for the public to become more sympathetic to privatisation. On the one hand, the KMT government faced severe criticism from political dissidents (who criticised the fact that the KMT unfairly and financially benefited from becoming involved in and controlling public enterprises). On the other hand, the monopolistic status of public enterprises was widely condemned by the public for its corruption, inefficiency, lack of consumer choice, and lack of an environmental protection procedure (Chang, 2002: 75). Against this background, the idea of privatisation was seen by some as the solution to problems (e.g. Van de Walle, 1989). Public enterprises had become an economic as well as a political burden so that the KMT government decided to adopt the privatisation strategy as an appropriate approach to resolve these problems.

There were, of course, less obvious reasons for the KMT government to promote privatisation policies. These policies were linked to internal conflicts within the KMT, including a power struggle between the mainstream and non-mainstream faction during the post-Chiang period (Ni, 1996). When the incumbent President, Ching-kuo Chiang, died on 13th January 1988, the mainstream faction, led by the successor President Teng-hui Lee, was challenged by the non-mainstream (conservative) faction.

President Lee needed more support from other sources, including local capitalists and the opposition party, to strengthen and stabilise his political situation during the post-Chiang period. One of the strategies adopted by President Lee was cooperation with the opposition party and local capitalists on the privatisation issue to counter the old guard. The DPP strongly urged the government to implement privatisation as a way of breaking the link between public enterprises and the KMT (Chang, 2002: 70-75).

For the above reasons stated, therefore, the rationale for implementing privatisation in Taiwan was, at first, more for political considerations than economic ones. However, the idea of improving efficiency through a change in ownership (the economic perspective of privatisation mentioned by the KMT government) was still ideologically embedded in the rationale for privatisation (see Chapter 5). Although the political rationale changed over time (to a focus centred more on the economic perspective than the political one) in order to justify privatisation and accelerate its progress, basically, the Taiwanese government has never ignored the ideas of efficiency, ownership, market competition, cost and public choices (detailed in Chapter 5). In short, against this complex background, the Taiwanese state played a predominant and leading role in the privatisation process.

10.2.1 The case of the Taiwan Railway

Generally speaking, the majority of Taiwanese privatisations were undertaken both for political and economic considerations. Nevertheless, among privatisation cases, the Taiwan Railway stood out as unusual. In comparison with other privatisations in the country, not only did the state's role change over time in the railway industry, but also the underlying rationale for privatising the Taiwan Railway was primarily to resolve financial problems. Although the emphasis on solving financial problems through privatisation was common (see Chapter 2), the Taiwan Railway case

remains noteworthy for the chief focus on deficits' resolution (see Chapter 6).

One senior railway manager indicated unequivocally:

The rationale for the privatisation proposal for the Taiwan Railway was to solve the Railway's deteriorating financial problems. That was the main motivation (interview, 29/03/2006).

There are two possible explanations for this rationale. First, the debate as to who owned the Taiwan Railway was a point of political controversy between the Provincial and the Central Government up to the time when the former ceased to function in 1999 (see Chapter 6). As the Taiwan Railway had actually been owned by the local government prior to 1999, the Provincial Government, in order to prevent itself from being politically and economically marginalised, had always refused to hand over ownership of this strategic industry to the Central Government. A number of reform initiatives, including employment and organisation rationalisation, and an increase in the purchase of locomotives, were introduced by the Provincial Government seeking to improve the Taiwan Railway's productivity and income. For this reason, the idea of a change in ownership, whether from local to central or from public to private hands to revive the Railway, was intentionally avoided and not properly discussed.

Second, the state strategically emphasised the issue of financial deficits rather than ownership in the context of privatisation (see Chapter 6). In this respect, the state sought to generate strong public consensus in favour of the privatisation of the Taiwan Railway and to justify privatisation initiatives. The intention was to marginalise and weaken railway resistance to privatisation, particularly when the role of the TRLU became significant. In short, the way in which the state discussed railway financial problems may be viewed as a strategic discourse justifying its intention to privatise the Taiwan Railway. The state may have thought that, by highlighting the issue of finance, privatisation of the Taiwan Railway could be done quickly and smoothly. However, this discourse actually backfired. It has been seen that the way in which the state illustrated railway problems actually created two

unexpected results: withdrawal of the role of private capital (Chapter 6), and an alliance between the TRLU and railway management (Chapter 9).

The excessive emphasis on the financial problems gave both the TRLU and railway managers a negative impression that the state actually wanted to get rid of this financial burden to cut public expenditure to the minimum. This was confirmed by respondents within, as well as outside the railway. As one railway correspondent emphasised:

The main reason why the government insisted on privatising the Taiwan Railway was because the government intended to abandon this loss-maker by means of privatisation (interview, 15/06/2006).

His comments were echoed by a legislator from the opposition party:

The proposal to privatise the Taiwan Railway was simply a matter of numerical calculation. The government simply wanted to give up this financial burden by privatising it (interview, 21/06/2006).

A TRLU official also made a similar comment:

The government did not clarify that the main reasons why the Taiwan Railway ran into the red were because of the [flawed] transport policy and providing unprofitable public services. On the contrary, the government publicly claimed that the Taiwan Railway was a loss-maker, and for this reason, it should be corporatised and privatised (interview, 17/06/2004).

According to various respondents, the government in view of the financial plight of the Taiwan Railway was reluctant to take full responsibility for operating railway services. And for many, in particular railway workers, privatisation came to be regarded as the way in which the state would wash its hands of the Railway. This triggered a sense of crisis and anger among workers and some managers, with the outcome that they privately worked together to resist the policy (detailed in Chapter 9). As a consequence, the planned privatisation of the Taiwan Railway through the “separation” scheme (suggested and supported by private capital) was withdrawn and replaced by the notion of “integration” (welcomed by railway managers and

the TRLU). For this reason, private capital has withdrawn its interest in the Railway privatisation. Along with this development, the state began to pull back from its promotion of the privatisation of the Railway.

In summary, Taiwan adopted a particular state development strategy in which the Leninist-type party-state control system and the capitalist pattern of economic expansion were both embedded. From the economic perspective of privatisation, the Taiwanese state emphasised the issues of ownership, competition and efficiency. However, it was not the case at the time the state proposed privatising the Taiwan Railway that the state was doing anything other than solving its financial deficits. Nonetheless, while the state had the strong intention of privatising the Taiwan Railway, its strategic discourse towards its privatisation actually backfired and became a barrier to carrying on this process. This situation not only resulted in the withdrawal of private capital but also led to the TRLU forming a tacit alliance with railway managers, which, in turn, enabled it to reinforce its bargaining capacity to play a role shaping the privatisation policy (for details, see Chapter 9).

10.3 Privatisation and capital

Capital played a very particular role in the privatisation process in Taiwan (in answer to Research Question Two: *What role did private capital play in Taiwan in the privatisation process?*). This role was distinct from that in either advanced capitalist economies (such as the UK) or transition economies (such as Russia). In Taiwan, the government attempted to focus privatisation policies in ways that would attract local capitalists' interests (Chapters 5 and 6). However, in my railway case, the role of capital in the privatisation process changed over time, from initially an influential role to one of non-involvement.

The British experience revealed that private capital had played a decisive role in the privatisation process (see Chapter 2). It could be argued that the

success of privatisation to a large extent rested with the interest of private capital, including banks, in purchasing public enterprises put up for sale. Research has shown that the British government intentionally attracted private capital to privatisation through underpricing shares and assets in order to achieve the goal of broadening share ownership (Bishop and Kay, 1989; Yarrow, 1986). In this regard, the role of private capital was influential in the privatisation process, particularly since the government ideologically favoured privatisation.

Although the rationale for privatisation was different in Taiwan, there was evidence of a limited influence of private capital on the government's policy-making (see Chapters 5 and 6). The Taiwanese government, particularly the KMT government, consciously formulated the privatisation policy in favour of private capital in order to attract capitalists' investment to fulfil its privatisation goals (Taiwan Labour Front, 1999; see also Chapter 5 of this thesis). In this context, Taiwanese private capital had the capacity to become involved or even intervene in the privatisation policy-making process (Taiwan Labour Front, 1999: 29). For instance, private capital expressed a great interest in the privatisation of three public enterprises (China Petrochemical Development Co., BES Engineering Co., and Taiwan Machinery Co.), which were proposed for privatisation through the sale of shares and assets (Taiwan Labour Front, 1999). Through underpricing, the government successfully attracted private capital in these three cases. Private capital thus gained financial benefits from the sale of shares or the disposal of assets (Taiwan Labour Front, 1999; *Economic Daily News*, 27/07/1994: 2; *Economic Daily News*, 31/07/1994: 17).

However, it has also been observed that private capital was hesitant about the privatisation policies. They were concerned about the financial deficits of public enterprises. The Taiwan Railway was the most prominent case. Private capital showed an interest in being involved with the railway business conditional upon the government promoting the scheme of separating the railway infrastructure and train operations. I argued in Chapter 6 that the adoption of the "separation" scheme was primarily driven in part by the

British Rail experience and in part by private capital's reluctance to take on responsibility for infrastructure maintenance costs. Privatisation through the "separation" scheme meant that private capital could make money through operating train services without shouldering extra and heavy infrastructure maintenance costs. The government therefore proposed the concept of "separation", hoping to complete privatisation of the Taiwan Railway by attracting private capital interests. However, when the government shifted the notion of "separation" to that of "integration", private capital withdrew its interest in the Taiwan Railway (Chapters 6 and 9).

While the government was keen to privatise the Taiwan Railway, the way in which it was endeavouring to privatise the Railway made private capital hesitant about further involvement in the process. This reluctance was partly because of the state's strategic discourse of financial problems and the Taiwan Railway's bleak prospects in light of the competitive transport market. Besides, the government, while proposing the "separation" scheme, did not clearly provide financial incentives to attract private capital to become involved in the railway business, as it had done in three other public enterprises previously mentioned. For these reasons, the participation of private capital in the privatisation of the Taiwan Railway did not materialise, even though, in the beginning, Taiwanese capitalists had lobbied and encouraged the government to privatise the Taiwan Railway by way of the "separation" scheme. The government therefore was forced to delay privatisation of the Taiwan Railway in line with the withdrawal of private capital's interest.

In summary, a successful privatisation depends not only on the determination of the state but also on the interests of private capital. This has been demonstrated by many Taiwanese privatisation cases, where private capital "cooperated and coordinated" with the government to complete privatisation. Both parties need each other to complete privatisation. However, if private capital loses interest in the privatisation of a public enterprise because of lack of financial incentives, the completion of privatisation becomes difficult, particularly when labour is hostile to the policy. In my case study, in view of

a change of private capital's interest, the government's attitudes became passive towards the privatisation of the Taiwan Railway. The government thus delegated railway managers with the responsibility of formulating an optimal reform proposal acceptable to the railway union. Under this double effect that both removed the "separation" scheme preferred by private capital, and left room for the TRLU to intervene in the reform process, private capital withdrew and no longer showed an interest in the railway business in Taiwan (see Chapters 6 and 9).

10.4 Privatisation and the trade union

In contrast to the withdrawal of capital, which merely delayed privatisation of the Taiwan Railway, the TRLU played a role that *shaped* that policy. The fact that the TRLU successfully shaped the privatisation policy is a process that is not often addressed in the contemporary literature. Accordingly, in this section, I will assess the extent to which the unions shaped public policy, particularly privatisation.

Trade unions were repressed and controlled by the Taiwanese government during the party-state period. Trade unions had no autonomy and capacity to protect and represent members' interests. They existed simply to advance labour control for the political and economic interests of the party-state. This was particularly the case with the public sector trade unions. Since they played a role as an arm of government administration and a transmission belt between the party and the masses, trade unions could not and would not challenge public policies (see Chapter 3). However, with the end of this political process, civil society was freed from the martial law restriction and so were labour and union movements. Workers gained the confidence and the capacity to undertake independent labour actions. This brought about qualitative changes in trade unions; they shifted from dependent to independent unions. The trend towards union independence first emerged in

the late 1980s but accelerated in the 1990s when the Taiwanese government began to implement privatisation programmes.

For public sector workers, privatisation was a policy that would unambiguously influence and shape their terms and conditions of employment. For this reason, public sector unions were expected to play an active role in the privatisation process, hoping to minimise workers' loss in terms of benefits and to maximise employees' interests. However, the Taiwanese experience shows that not all public sector unions opposed the privatisation policy. While some public sector unions did organise opposition to the policy, others did not. In Chapter 5, I argued that the economic context (market and finance) of public enterprises in which the unions operated could affect attitudes towards privatisation and the policy of trade unions to oppose or not to oppose it. It also affected unions' bargaining capacity during the privatisation process. Thus, in this way, in addressing Research Question Three (*How did Taiwanese public sector trade unions play their roles in the privatisation process?*), I have shown how Taiwanese public sector unions responded to privatisation.

In retrospect, many Taiwanese public sector trade unions were unable to resist this globalisation trend and/or to oppose privatisation. In these cases, public sector unions were more or less demobilised and/or played an irrelevant role in privatisation. These unions would not and could not challenge and shape the public policy for members' interests. However, this study has shown that, under certain circumstances, trade unions actually had the capacity to influence and shape public policy. This unusual situation, which has not been discussed in the mainstream literature, was observed in the case of the TRLU as union members reorganised themselves to oppose and later shape the privatisation policy (see Chapters 6 to 9 for more details). This finding clearly addresses Research Question Four (*Do Taiwanese public sector trade unions have the capacity to shape public policy?*).

Although the economic context of the Taiwan Railway played a part, TRLU activism and leadership and railway workers' solidarity perhaps played the

most important and direct role in the TRLU's success in shaping public policy. Although industrial trade unions cannot exclude themselves from the economic context of the firm in which they operate, an account of union agency seems to provide an additional and perhaps decisive element in the explanation of why the TRLU operated so differently to other unions in Taiwan. The TRLU experience is significant as a bridge between the past and present of the Taiwanese labour movement and the history of trade unionism in Taiwan.

In Chapter 7, I analysed the source of the TRLU's power and activism, which was developed in a particular way under an extraordinary environment and situation. It began at the shop-floor level and then spread to the regional and national level. In retrospect, the development of the rebellion process was surprisingly logical, and in one sense, effective and one event led to another. However, when we put this experience into the Taiwanese political context, it is not immediately clear why these railway workers could organise these actions in such a well-structured and well-maintained way. My research suggests two elements as a possible explanation. First, the railway industry as a relatively structured and cohesive industry provided fertile ground for local leaders and activists to emerge. These personnel acted in the context of specific issues and problems faced by workers (pay and meals) (see Chapter 7). This process was facilitated by the mutual experiences of workers (as apprentice intakes or as ex-military personnel).

Second, this group of people actually organised these actions with direct support from political elites and dissidents. Of course, this support was pervasive in Taiwan at that time and was not limited to railway workers. To push the KMT government to move towards democratisation by awakening working-class consciousness within the public sector would have been the main rationale for this support. While the evidence provided in this research for this is persuasive, a further exploration of the relationship between independent labour movements, political dissidents and such organisations as the American labour attaché programme warrants further research.

One feature that must be taken into account when considering the organisational capacity of the union is the role of the TDF, a craft-based group within the TRLU. This group and the actions they pursued, point to potential conflict among railway workers, as well as the fragility of union organisation (see Chapter 8). Nonetheless, to-date the TRLU leadership has been successful in addressing the potential crisis of a breakaway from the TRLU.

In the face of an increasingly challenging environment, after 1997, the independent TRLU began to take a militant attitude towards the government, particularly in relation to the privatisation policy (detailed in Chapters 7 to 9). The scale and impact that these union actions have had on Taiwanese union history have been marked. They have also had a number of important implications not only for the railway industry but also for the development of Taiwanese trade unionism.

First, the TRLU demonstrated its members' determination to respond to privatisation through a general membership meeting on 11th September 2003 that had never happened before in Taiwanese union history. It implied the emergence of a new approach towards government and management policies. The success of the 9/11 event also inspired other union counterparts in Taiwan to follow suit to reinforce union bargaining capacity under the public endorsement of members. Second, the success of the 9/11 event represented a watershed in that the role of the TRLU became even more crucial in railway reform. Third, the 9/11 event successfully built up a barrier to the privatisation of the Taiwan Railway. Aware that the threat of general strike action could cause political damage to the incumbent DPP government, this government thus made concessions in response to the 9/11 event (see Chapter 9 for more details). In many senses, the TRLU won a historic victory, not only in terms of its bargaining capacity and representativeness, but also in terms of delaying the process of planning and implementing the privatisation of the Taiwan Railway. In this regard, the achievement of the TRLU was highly extraordinary. The TRLU's experience suggests that under

certain circumstances, trade unions are not without the possibility and capacity to shape and direct the development of public policy.

10.5 Implications

Overall, close scrutiny of the success of the TRLU reveals a number of noteworthy sociological implications. First, the food dispute in the 1970s was, at first glance, “coincidental” and generated “unintended” consequences. Nevertheless, the food issue not only became a point of unification within and even across classes, but also came to have apparent “symbolic” as well as moral connotations. The food issue had apparent symbolic importance for two reasons. First, workers in the factory, who, under martial law, were unable to overtly declare their independence, utilised the food issue to demonstrate their autonomy. During the party-state period, focusing on the food had a number of advantages. On the one hand, the food issue was easily recognised and supported by the majority of workers in the factory. On the other hand, the food issue was viewed by Factory management as non-threatening to their authority, which perhaps explains why the organisers of the unlawful workers’ alliance were not punished under martial law.

The food issue also came to have apparent symbolic importance because it typified the “right” to eat a proper meal. In many senses, to eat a proper meal is a very basic human right. Sometimes, the importance of eating a proper meal for the working-class may even transcend economic concerns. For instance, the employer may have the right to cut wages but does not have the right to dehumanise employees by removing or denying their right to eat. While employees may be able to tolerate a cut in wages, the denial of food could have long-term consequences for their health and job performance. Thus, the basic right to food is an issue that would draw together not only the working-class but all classes, because food is essential to life. The Factory management recognised the workers’ basic human right to food and thus

morally supported their grievances and did not oppose their organised behaviour.

While the issue of food had been of symbolic significance in the railway industry in Taiwan, about ten years later, in the former Soviet Union, soap became of similar symbolic importance. The main reason for a national coal miners' strike was the government's failure to implement reform. Soviet miners' inability to tolerate the shortage of soap, detergent, washing powder, tooth paste and other daily consumer goods also contributed to the national miners' strike (Clarke and Fairbrother, 1993d; Safire, 1989; Gumbel, 1989). The right to be clean is another fundamental human right. To deprive a person of the right to be clean is unacceptable and dehumanise that individual. Soviet miners could not tolerate such dehumanisation. While the strike in the Soviet Union was on a national scale, that in Taiwan was confined to the shop-floor. Nevertheless, both incidents were of historical importance. While the food issue had a successful outcome in that railway workers gained the opportunity to organise their own food provision which, in turn, led to workers' autonomy in the railway industry, the soap issue in the former Soviet Union served as one of the reasons for a general strike and became a driver leading to the disintegration of the Soviet party-state system and subsequently of the Soviet union itself (Borisov and Clarke, 1996; Anderson and Bogert, 1989).

In addition to its symbolic importance, the food issue was also a "moral" issue transferable across classes. The Factory canteen problem not only inspired the participation of the majority of Factory workers but also led Factory management to morally support the workers' alliance, since it recognised that the workers were acting in the best interests of the Factory as a whole. This outcome seems to suggest that workers and management are more likely to collaborate if both are offended by some coincidental incidents. In the Railway case, both managers and workers were offended by the way in which the government continually emphasised the Taiwan Railway's financial deficits and attempted to wash its hands of the Railway. From this perspective, the moral issue of the right to food at the Factory appeared to

pave the way for the formation of the tacit alliance between management and the TRLU to promote the interests of the railway industry as a whole, since both faced external challenges from the privatisation policy and the private high speed rail company.

The second sociological implication of this case study was that TRLU's activism was developed and entrenched in particular ways. First, the solidarity and activism that were developed during the Factory period later became an important feature of the TRLU. Second, union activism enabled the TRLU to transcend the limitations of the existing economic context (market structure and financial status) of the Taiwan Railway. Organised labour in the factory in the 1970s clearly indicated that, in fact, workers privately recognised the importance of solidarity and labour representation. Accordingly, an unlawful workers' alliance was formed as a result of the food issue at the Factory. Core members of this unlawful alliance worked to manage and operate the canteen on employees' behalf. This was the origin of today's TRLU activism. The idea of agency was then enlarged and extended beyond the Factory boundary. Core members of the alliance pursued an independent railway union on behalf of all railway workers. The entrenchment of the agency of the union later served as a force calling railway workers to collectively support and trust the independent TRLU to represent their interests. It could therefore be argued that today's railway union activism is the legacy of the emergence of the independent workers' movement, developed in a particular environment and in an exceptional way in the 1970s.

The success of the TRLU's rebellion against privatisation was indeed impressive. However, in this case study, it was evident that railway managers also played an important role, that was not publicly known and which should not be overlooked. In view of their status as state management in which they lacked the ability to express their opinion against privatisation, railway managers showed sympathy towards what the TRLU was doing and provided it with adequate support.

Railway managers encouraged the TRLU to speak on their behalf to the government about their attitudes towards privatisation, particularly their opposition to the “separation” scheme. As for the TRLU, the support from railway managers, including *de facto* tolerance of the union’s actions against the government, was also a key to its success (see Chapter 9). As a result, based on the idea that both managers and the TRLU had a commitment to secure a better future for the Taiwan Railway, a tacit alliance was formed and generated an extraordinary outcome for both actors (see Chapter 9). Railway managers’ interventions through the tacit alliance effectively became a potential barrier to the government’s intention to smoothly implement privatisation. Therefore, in one sense, railway managers’ attitudes towards the state-drive privatisation policy as well as their sense of identification with the TRLU reinforced union capacity and increased the possibility of the TRLU shaping the privatisation policy. This implied that a cooperative class consciousness developed not only within the working class, but also amongst the management class. This also parallels earlier suggestions that moral issues are transferable across classes.

The presentation of the source of TRLU activism extends the debate about trade union capacity and the shaping of public policy. The Taiwanese railway experience suggests that under certain circumstances, such as the economic context of the firm, the way in which union activism is developed, strong and militant union leadership, and a complex and interrelated union-management relationship, a trade union can develop the capacity to influence or even shape government policy-making processes and outcomes. However, the analysis of the process leading to the success of the TRLU suggests there have been more profound sociological implications behind its success. Members of the unlawful alliance at the Factory, chose the issue of the food on the one hand as a symbolic issue to demonstrate their autonomy and independence from the rest of the Factory workers in order to strengthen their identity and, on the other hand, as a political issue to draw the working class and management class together for the interests of the factory as a whole. These developments provided the basis for the eventual success of the TRLU as an independent and autonomous trade union.

10.6 Future Research

From this research, two critical themes have emerged. The first theme is the specific focus on privatisation and the place of labour within the privatisation programme. The second theme is, that under some circumstances, trade unions may develop organisational capacity and activism so as to shape public policy as the way in which they defend members' interests.

My research and its findings point to three possible future research projects.

- (1) A systematic and extensive study of public sector trade unionism in Taiwan;

My doctoral research has already laid the foundation for such a future research project, which may help to contextualise the distinctiveness of the railway case.

- (2) A study on the way in which Taiwanese independent trade unions developed organisational capacity and activism;

While my doctoral research project began with a specific focus on privatisation and trade unions with particular reference to the Taiwan Railway case, it would be worth of extensively exploring more cases.

- (3) A third project would be to explore more details about the relationship between union leaders and activists and labour lawyers and political dissidents. An exploration of possible assistance from the American labour attaché programme in the labour rebellion process in Taiwan is worth doing.

Appendix

Appendix A

Number of Interviews conducted between May 2005 and November 2007

Interviewees*	Number of interviews
Government officials:	
MOTC Officials	1
Former DOT Officials (Provincial Government)	2
Former labour attaché to America	1
Legislator (2005-2007):	
The ruling party – the DPP	1
The opposition party – the KMT	3
Railway managers:	
Incumbent and former Taiwan Railway director-generals	4
Taiwan Railway senior managers	5
Taiwan Railway Labour Union:	
Incumbent and former Union Chairmen	3
Union Officials (including Head Office, and local branches)	7
Railway employees:	
Full-time Employees (including employees of different places, train drivers and maintenance workers)	5
Others:	
Telecom union chairman and official	2
Former union chairman of Taiwan Motor Transport	1
Academic	1
Former executive secretary of Taiwan Labour Front	1
ALSTOM senior manager in Taiwan	1
Railway correspondence (United Daily News and China Times)	2
Executive secretary of Consumers' Foundation	1
Total	41

*: The identity of interviewees is correct at the time when I interviewed them.

Appendix B

Interview Schedules for interviewees related to railway affairs (translated from Mandarin)

Interview schedules for railway interviewees (managers, employees, and TRLU officials), government officials (the DOT, MOTC, and IOT), legislators, and railway correspondents

Section A: Personal background

- Age
- Post
- Length of service in relation to the railway affairs
- If applicable, length of service in relation to the railway union

Section B: Political-economic perspective

1. What were reasons and objectives for the Taiwanese Government nationalising industries after the Second World War? Were there particular considerations in terms of politics, economy and labour market?
 - As far as the union movement is concerned, what was it like during that period of time?

2. As part of the global trend, during the 1980s, the government began to consider privatisation. As far as you know, why the privatisation policy emerged in Taiwan? (background reasons, political and economic considerations)
 - What were extrinsic/intrinsic factors?
 - What was the role of the state in terms of promoting privatisation of industries during that time?
 - As far as you know, in the process of formulating the policy, what was the role of private capital? Did capitalists lobby the government to open the market so as to have fair competition?
 - In the process of formulating the policy, did the unions ever formally or informally express their opinion towards it?
 - What was the role of trade unions during that time?

Section C: Privatisation of the Taiwan Railway

1. When did the idea of privatising Taiwan Railway emerge? Who proposed it and why?
 - What railway problems did the government concern most?
 - What were objectives of privatising Taiwan Railway?
 - In the policy decision-making process, what were perceptions and attitudes of the following actors towards the issue:
 - The government
 - Taiwan Railway managers
 - Private capital
 - The TRLU

2. As far as you know, did government officials ever consult with consultants about the way in which how to privatise the Taiwan Railway?
 - Who were consultants?
 - What was the conclusion of such consultation?

3. What privatisation options for the Taiwan Railway did the government consider to implement?
 - What were difficulties in terms of implementing privatisation of the Taiwan Railway?
 - How did the following roles respond to that?
 - The government
 - Taiwan Railway managers
 - Private capital
 - The TRLU
 - What would you describe the major problems faced by unions in the process of formulation of the policy?

4. Did private capital have ever formally or informally express their concerns about their expectations of privatising Taiwan Railway?
 - Under what circumstances do you think that private capital would be more likely to operate the Railway?
 - Do you think such expectations would in part (or largely) influence the decision-making process?
 - What privatisation options do you think that the government proposed to attract private capital?

Section D: The formation of the idea of “separation” and the corporatisation policy

1. When did the idea of “separation” of infrastructure and train

operations emerge? Who proposed it and why?

- What were original ideas of this option?
- What were expectations of the government towards this notion?
- How did the private capital reckon?
- How did the union perceive it?
- What problems did the government encounter when the scheme was in process?
- When did the scheme shift from separation to integration, and why? Who proposed it? And why?

2. When was the corporatisation policy of the TR proposed? Who proposed it and why?

- Did the government reckon that if the union accept corporatisation then privatisation of TR would be easily obtainable?

Section E: The development of the private high speed rail company

1. When did the government start to think of establishing a parallel railway company? Why was it established?

- Did the government consult with Taiwan Railway managers and private consultants for this decision? What were their opinion and conclusion?
- Did private capital play a role in terms of this development?
- How did the union respond to the establishment of the other new railway company?
- What was the position of TR managers towards this?

Appendix C

Interview Schedules for other unions

(translated from Mandarin)

(Chair of the CTWU and the TMT)

Section A: Personal background

- Age
- Post
- Length of service in relation to union affairs

Section B: Privatisation of the two companies

1. When did you notice that the government wanted to privatise the company?
2. How did the union respond to the privatisation policy?
3. How did members of the union respond to the union's decision-making in relation to privatisation?
4. As far as you know, what roles did the following actors play in the privatisation process of your company?
 - The government
 - Management
 - Private capital
 - Trade union
5. How do you compare the relationship between the union and management before and after privatisation?

Section C: Privatisation of the Taiwan Railway and your company

1. By comparing the Taiwan Railway and your company, what factors resulted in the different outcome?
 - The economic context of the company
 - The role of the state
 - The role of private capital in the privatisation process
 - The role of the union
 - The role of union members

Section D: Union bargaining capacity

1. What factors you think would shape union bargaining capacity?
 - The role of the state
 - The role of private capital
 - The role of trade unions
 - The role of employees

Appendix D

Interview Schedules for members of the TRWF and TDF

(translated from Mandarin)

Section A: Personal background

- Age
- Post
- Length of participation in relation to the TRWF or TDF

Section B: The origins of the TRWF and TDF

1. When were the fellowships established? Why?
2. How were they developed? Who got involved in the process?
3. What happened prior to and on the date of the establishment of the two fellowships?
4. What was the relationship between the two fellowships?
5. How did railway management perceive the role of the two fellowships?

Section C: The 9/11 event

1. How did the TDF play its role in the 9/11 event?
2. What happened between the TDF, the TRLU and railway management in the run up to the 9/11 event?

Section D: The future of the TDF

1. How do you define the role of the TDF in the Taiwan Railway?
2. How do you identify the relationship between the TDF and the TRLU?

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