

# The Rise and Fall of Leninist Control in Taiwan's Industry

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**ABSTRACT** As an industrial control strategy, Leninism imposed extensive state-party apparatuses in the workplace. After its defeat in China, the émigré Kuomintang instituted party-state infrastructure in the vast public sector inherited from Japanese colonialism to consolidate its grasp on Taiwan. This article traces the rise and fall of Leninist control in Taiwan's state-owned enterprises. Taiwan's Leninist penetration was deployed after the suppression of the 1947 uprising, and hence failed to overcome the pre-existing ethnic divide between Taiwanese and mainlanders. Further, since the 1960s, widespread moonlighting has enabled Taiwanese workers to be more psychologically and economically detached from the clientelist network of redistribution. As the political environment turned favourable in the late 1980s, a strong current of workers' movements surged and succeeded in dismantling party-state control in nationalized industry. Taiwan's case reveals the importance of societal embeddedness as a variable that explains the trajectory of Leninist control.

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The essence of Leninism, according to Philip Selznick, consists in the concentration of "total social power in the hands of a ruling group."<sup>1</sup> Leninism views power everywhere, and therefore a combat party manned by disciplined cadres is used as an organizational weapon to remake the whole society. From a Leninist perspective, society is highly malleable, or to use James Scott's term, "prostrate."<sup>2</sup> In reality, few societies are so vulnerable that they are ready to be re-engineered from above. Leninist control is necessarily embedded in social structures so that its actual impact is always less than the revolutionary rhetoric. The way in which existing social structures shape the contour of party-state domination, limit its penetration and even subvert its control has not been fully explored in the existing literature.

In his classical study on the evolution of industrial relations in communist China, Andrew Walder discovers the hidden realities of party-state control.<sup>3</sup> Contrary to its professed unselfish collectivism, Leninism encourages the pursuit of petty interests as party cadres are given arbitrary powers to distribute scarce goods. In national factories, there is a pattern of "neo-traditionalism" whose

1 Philip Selznick, *The Organizational Weapon* (New York: Arno, 1979), p. 5.

2 James C. Scott, *Seeing Like a State* (New Haven, CT: Yale University Press, 1998), p. 89.

3 Andrew G. Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986).

syndrome includes organized dependency, in which workers are placed under the economic, political and personal control of work-unit superiors, and a culture of authority, in which official power assumes a moral leadership and intrudes into the most private sphere of daily life. Leninist control gives rise to factory clientelism which reproduces inequality between leaders and workers. Working life is fragmented into a fiercely individualist competition for personal favours from cadre leaders. Mired in the game of instrumental use of interpersonal relationship (*guanxi* 關係), workers are not able to form their common identity.

In Walder's elegant model, there are no exogenous variables that limit Leninist penetration in the workplace. It is only workers' resistance, either actively currying their superiors' favours or passively avoiding political entanglements, that can stultify the control from above. This article argues that Leninism is a powerful, albeit not all-purpose, organizational weapon. I study Taiwan's state-owned enterprises in order to demonstrate that the making and unmaking of party-state control is necessarily embedded in pre-existing social structures. In Taiwan, Leninism is articulated with two other social structures: an ethnically divided society and a growing free market private sector. Both factors limit the penetration of Leninism and provide resources for workers' subsequent revolt.

After its disastrous civil war in China, the Kuomintang (KMT) reflected on the lesson of defeat and embarked on an ambitious re-organization in 1950–52. To become a mass party, the KMT made an effort to recruit members from all walks of life and to plant party cells in every social unit. According to Bruce Dickson, this Leninist transformation was completed even before the similar attempt by Chinese communists.<sup>4</sup> In the industrial sector, the KMT tried to “recruit skilled and productive employees and workers with leadership and revolutionary patriotism.”<sup>5</sup> Thus, from a very early stage, cadres were present in Taiwan's factories, where they built up a vast redistributive network among KMT loyalists.

Japan bequeathed an industrialized Taiwan to the KMT. Colonial economic assets included railway, sugar refining, electricity, petrochemical and metal industries. As argued by Bruce Cumings, Japanese imperialism was a rare species that “located modern heavy industry in its colonies.”<sup>6</sup> Before 1945, Taiwan was already a dependent capitalist society, much more advanced than other Chinese provinces. Further, the KMT was lucky in that the Japanese government adopted a wartime command economy policy by which industrial structure was rationalized, centralized and militarized. As a result, when the

4 Bruce J. Dickson, *Democratization in China and Taiwan: The Adaptability of Leninist Parties* (Clarendon: Oxford University Press, 1997), ch. 2.

5 Zhang Gouxing, *Taiwan zhanhou laogong wenti (Taiwan's Post-war Labour Problems)* (Taipei: Xiandai xuanshu yanjiu jijinhui, 1990), p. 13.

6 Bruce Cumings, “The origin and development of the Northeast Asian political economy,” in Frederic C. Deyo (ed.), *The Political Economy of the New Asian Industrialism* (Ithaca, NY: Cornell University Press), p. 56.

KMT came to Taiwan, it encountered an advanced economy ready to be mobilized from above.<sup>7</sup>

After the war, all these economic resources, private or public, were declared “the enemy’s properties” and summarily confiscated.<sup>8</sup> The KMT was determined to keep the industrial assets nationalized despite local complaints and American privatization pressure. For the KMT, state-owned enterprises guaranteed its political and economic independence from the host society. In the early period, nationalized industries made up the backbone of Taiwan’s economy. In 1966, state-owned enterprises employed 13.5 per cent of the workforce in the manufacturing sector,<sup>9</sup> concentrating in upstream industries.

However, the KMT’s Leninist penetration did not proceed evenly but was persistently constrained by ethnic division and the private sector. Ethnicity was an important cleavage that shaped the contour of inequalities in Taiwan.<sup>10</sup> To many observers, ethnic differences between Taiwanese and mainlanders, together with class distinctions, closely coincided in the areas of employment pattern, residential segregation and the marriage market.<sup>11</sup> Arguably, the KMT’s control of nationalized industries and its initial reluctance to liberalize the economy was politically motivated since “private-sector growth would inevitably strengthen the native Taiwanese.”<sup>12</sup> Prior to the systematic implantation of Leninism in the workplace, immigrant mainlanders took over the better positions in state-owned enterprises at the cost of Taiwanese. The KMT’s re-organization was not able to bridge the ethnic division; instead, ethnic antagonism was further aggravated to the extent that it fuelled workers’ protests three decades later.

With the growth of the private sector, moonlighting opportunities lessened the degree of workers’ economic dependency on the company and their superiors. Once workers possessed independent income sources, they did not have to rely on the corrupt redistributive system. Currying favours from one’s superior was psychologically humiliating and hampered the formation of horizontal solidarity among the working class. Ivan Szelenyi noted that the emergence of petty commodity production and self-employment alongside the state redistribution system constituted a “countervailing popular power.”<sup>13</sup> Ultimately, workers’ protests in the late 1980s were boosted by self-confidence and optimism.

7 Lin Jiwen, *Riben jutai moqi zhanzheng dongyuan tixi zhi yanjiu (Wartime Mobilization in Taiwan under Japanese Occupation)* (Taipei: Daoxiang, 1996).

8 Alice H. Amsden, “The state and Taiwan’s economic development,” in Peter B. Evans *et al.* (eds.), *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), pp. 79–82.

9 Liu Jinjing, *Taiwan zhanhou jingji fenxi (An Economic Analysis of Post-war Taiwan)* (Taipei: Renjian, 1992), p. 111.

10 Hill Gates, *Chinese Working-Class Lives* (Ithaca, NY: Cornell University Press, 1987), p. 54.

11 Hill Gates, “Ethnicity and social class,” in Emily Martin Ahern and Hill Gates (eds.), *The Anthropology of Taiwanese Society* (Stanford, CA: Stanford University Press, 1981), pp. 241–81; Marshal Johnson, “Classification, power and markets: waning of the ethnic division of labor,” in Dennis Fred Simon and Michael Y. M. Kau (eds.), *Taiwan: Beyond the Economic Miracle* (New York: M. E. Sharpe, 1992), pp. 69–97.

12 Stephan Haggard, *Pathways from the Periphery* (Ithaca, NY: Cornell University Press, 1990), p. 88.

13 Ivan Szelenyi, *Socialist Entrepreneurs: Embourgeoisment in Rural Hungary* (Madison, WI: University of Wisconsin Press, 1988), p. 8.

This article argues that Taiwan's Leninist control in industry was narrower in scope and intensity as a result of its weaker societal embeddedness. Leninist control is vulnerable to mass revolt from below. While this study aims to understand Taiwan's state-owned enterprises as a whole, the main empirical data are based on observation of the Kaohsiung Refinery (*Gaoxiong lianyou zongchang* 高雄煉油總產) of China Petroleum Company (CPC) (*Zhongguo shiyou gongsi* 中國石油公司). This refinery was originally built in 1941 by the Japanese Navy, and later confiscated and incorporated into the CPC in 1946. Today the refinery complex still serves as the most important supply centre of fuel and petrochemical sources. Beginning in 1988, its union fell into workers' control after they defeated KMT cadres in elections. From then on, the CPC union has become the "locomotive of Taiwan's labour movement."<sup>14</sup>

Compared to other state-owned enterprises in Taiwan, Kaohsiung Refinery was atypical in its better-organized workers' movement, which might be explained by other factors, such as a larger workforce and residential concentration. Nevertheless, being a state organ, it experienced the same level of Leninist transformation. The KMT's party-state penetration differed sectorally, but not geographically. While government, military, nationalized industries and schools were intensely re-organized, party-state control was weaker in non-public sectors.<sup>15</sup>

It has been noted that the formation of Taiwan's state-owned enterprises was politically based. But there are only a few studies that analyse the impact and consequence of Leninist control *within* the nationalized industries. This article is explorative in nature so that a single-case study is the most appropriate research design to present the rich yet neglected workers' experiences. Unless otherwise indicated, research materials come from the author's field study in 2002–2004.

### Post-Colonial Ethnic Rule in Taiwan (1945–52)

After 50 years of Japanese colonialism, Taiwan returned to Chinese rule. But the post-colonial euphoria did not last; as soon as the KMT sent its officials to take over the political and economic apparatuses left behind by Japanese, ethnic tension between Taiwanese and mainlanders emerged. KMT officials and soldiers came to Taiwan as if they were the conquerors of the island and this caused widespread local resentment. The unexpected ethnic antagonism culminated in the 28 February 1947 uprising, in which Taiwanese rose in spontaneous violence against mainlanders and the KMT government, followed by an organized petitioning of native elites for equality and power sharing, and ending in an indiscriminate massacre of Taiwanese people by the military

14 Ming-sho Ho, "Democratization and autonomous unionism in Taiwan," *Issues and Studies*, No. 39 (2003), pp. 105–35.

15 Gong Yijun, *Wailai zhengquan yu bentu shehui: gaizao hou Guomindang zhengquan shehui jichu de xingcheng* (*Émigré Regime and Native Society: The Formation of Social Bases of the Reorganized KMT Regime*) (Taipei: Daoxiang, 1998).

reinforcement from China. The bloody suppression of the 1947 uprising bequeathed an indelible mark on post-war history. From the very beginning, Taiwanese society under KMT rule was rife with ethnic division.

The takeover of economic assets proved especially contentious. In 1945–46, the KMT government confiscated 1,259 units of “enemy enterprise property,” which were made up of strategically important financial, transportation, basic utility and manufacturing sectors.<sup>16</sup> As colonial monopoly capital became state property, a vast empire of state-owned enterprises was built up in a coup. In terms of assets, the CPC, composed of Kaohsiung Refinery and other storage facilities and sale agencies, was in sixth place of all nationalized industries.<sup>17</sup>

To manage these newly nationalized industries, the KMT’s National Resource Commission (NRC) (*ziyuan weiyuanhui* 資源委員會) officials played an important role. The NRC was made up of well-educated technocrats who had supervised the inland industrialization during the Sino-Japan war (1937–45). Compared to other nationalist officials, the NRC as a whole was strong in education credentials and characteristically technocratic.<sup>18</sup> Despite their better reputation, NRC officials were involved in a factional struggle to control positions in Taiwan. The state-owned enterprises fell into the NRC officials’ grip at the same time as executive chief Chen Yi (陳儀) staffed his loyalists in the government, the CC faction controlled the provincial party headquarters and the military statistics faction owned the police.<sup>19</sup> As KMT officials were busy grabbing resources, native employees were summarily dismissed and their jobs given to mainlander officials’ cronies and family members. The upper positions once monopolized by the Japanese now fell into mainlanders’ possession. Prior to the 1947 popular revolt, there were reports that workers staged strikes to protest against this flagrant discrimination.<sup>20</sup> During the 1947 uprising, one of the Taiwanese leaders’ demands was to end the unfair treatment and allow local people to manage public monopolies.<sup>21</sup>

Taiwanese people were soon disillusioned to find their jobs and security forcibly taken away. The Kaohsiung Refinery workers faced roughly the same fate. In November 1945, the refinery was formally transferred to the NRC officials, who soon re-recruited the Taiwanese workers who were dismissed

16 Liu Jinjing, *An Economic Analysis of Post-war Taiwan*, pp. 24–28.

17 Chen Siyu, *Taiwanqu shengchan shiye guanli weiyuanhui yu jingji fazhan celüe* (*Managing Board of Taiwan Production Enterprise and Strategy of Economic Development*) (Taipei: Department of History, National Chengchi University, 2002), p. 71.

18 William C. Kirby, “Continuity and change in modern China: economic planning on the Mainland and on Taiwan, 1943–1958,” *Australian Journal of Chinese Affairs*, No. 24 (1990), pp. 121–41.

19 Wang Hongren, “Zhanhou chuqi Taiwan ge jieji zhijing zhi huodong” (“Economic activities of Taiwan’s classes in the immediate postwar period”), *Taiwan fengwu* (*Taiwan Folkways*), No. 47 (1997), pp. 23–34.

20 Chin-fen Chang, *Taiwan gongying shiye minyinghua: jingji misi de pipan* (*The Privatization of State-owned Enterprises in Taiwan: A Critique of the Economic Myth*) (Taipei: Institute of Sociology, Academia Sinica, 2002), pp. 416–20.

21 Alice H. Amsden, “Taiwan’s economic history: a case of etatism and challenge to dependency theory,” *Modern China*, No. 5 (1979), p. 350.

towards the end of war.<sup>22</sup> Local workers were needed to repair the facilities that had been severely bombed in the war. They found mainlanders had taken over management positions and company residences previously reserved for Japanese navy officers. Taiwanese stayed in the cramped dormitory and continued to work as manual labourers. Even when mainlanders and Taiwanese worked in the same position, the former generally received 60 per cent more payment in the name of “resettlement stipend.”<sup>23</sup> For them, factory ethnic segregation was kept intact, the only difference being that mainlanders replaced Japanese as the ones that gave the orders.

The outbreak of the 28 February Incident shocked Kaohsiung Refinery officials and workers. Mainlander officials asked the army to protect the refinery to no avail. Instead they organized a voluntary militia (*yiyongtuan* 義勇團) of Taiwanese workers who were militarily trained during the Japanese rule. The workers' militia succeeded in maintaining order in the factory compound by dissuading local toughs from having their own way there. Unlike other official units, the Kaohsiung Refinery was spared from ethnic violence directed against mainlanders. At that time, there were roughly 30 security guards, all mainlanders of Fuzhou origin<sup>24</sup> introduced by their compatriot who was a high-ranking official. They were disarmed because of their unsuitability for maintaining security, not least because their inability to speak the Taiwanese dialect would only fuel ethnic antagonism. Obviously they harboured grudges against their temporary disarmament and the reversal of the ethnic relationship. Some of them left for the nearby navy base and never returned, while those who remained waited for the opportunity to avenge their personal disgrace.

Upon the arrival of reinforcement from China, some mainlander security guards informed the Kaohsiung Garrison Guard, then under the command of the “butcher of Kaohsiung” Peng Meng-chi (彭孟緝). On 9 March Peng's soldiers occupied the factory compound by force. Several members of the workers' militia were killed on the spot, while the rest were taken to the military prison where they suffered several days of torture and questioning before they were finally released. Mainlander soldiers looted the refinery and took everything valuable in the warehouse and office; this became the only severe damage during the whole incident. Workers reported that soldiers also plundered the residence area. This indiscriminate violence from above testified the fear that mainlanders had for the insurgent Taiwanese populace. After the bloody suppression, the mainlanders' ethnic rule was consolidated, and the majority of Taiwanese workers became demoralized and quiescent.

22 CPC, *Gaoxiong lianyouchang changshi ji* (*History of Kaohsiung Refinery*) (Taipei: CPC, 1981), pp. 3–4.

23 Xu Xueji and Fang Huifang, *Gaoxiong shi ererba xiangguan renwu fangwen jilu* (*The 28 February Incident in Kaohsiung City*) (Taipei, Institute of Modern History, Academia Sinica, 1995), Vol. 2, p. 51.

24 Fuzhou is located in central Fujian. The Fuzhou dialect is mutually unintelligible with the southern Fujian dialect from which the Taiwanese dialect derives.

In the CPC's record, only insignificant damage elsewhere was registered. The severe casualties and property losses were simply glossed over.<sup>25</sup> For the whole of March 1947, refinery production came into a halt. The tortured workers never returned. Those who stayed vividly remembered that their mainlander superiors only made an unenthusiastic effort to rescue their captured brethren. As a consequence, the ethnic relationship in the Kaohsiung Refinery could not have become worse.

After the 1947 uprising, the KMT government strengthened the surveillance of state-owned enterprises. A General Police Brigade of Taiwan's Industries and Mining (*Taiwan sheng gongkuang jingcha zongdui* 台灣省工礦警察總隊) was set up, directly answerable to the central government.<sup>26</sup> Workers spoke of increased policing even in residence areas. For a time they were afraid of unexpected midnight visits by security officials. They reported stories of their colleagues being taken into detention and questioned because of a minor fault. Vindictive state violence was aimed not only at Taiwanese workers who had become less trustworthy after the rebellion, but also at top-ranking mainlander managers. Prior to the KMT's final retreat to Taiwan in 1949, some NRC technocrats defected to the communists. Thus, the reinforced security control also sought to weed out the "communist sympathizers" lurking in the KMT officialdom. In 1950, several "communist spies" were exposed among the management of state-owned enterprises. Among the most spectacular cases, the general managers of both the Taiwan Sugar Company and the Taiwan Power Company were tried and executed.<sup>27</sup>

White-terror brutality worked to silence dissent among Taiwanese and mainlanders. The former were doubly oppressed in that their subordination to mainlanders became consolidated. Some mainlanders were certainly victims of state violence, but their privileges in the state-owned enterprises were not endangered. Thus, before the establishment of party-state control apparatuses in the 1950s, a great ethnic divide already existed and was strengthened by the counter-insurgent violence of the state.

### **Building the Party-State Infrastructure (1953–58)**

Immediately after the war, the KMT's CC faction planned a campaign to recruit party members in nationalized industries in both China and Taiwan. Jealously protecting their turf, NRC officials countered this proposal by organizing their supporters. Previously, the NRC was able to keep its autonomy from political influence by appointing its own party leaders, rather than accepting those sent from the KMT organization department.<sup>28</sup> In 1945, a regulation was promulgated to form an Employee Encouragement Society (*yuangong lijin*

25 CPC, *Zhongguo shiyou zhi (History of Chinese Petroleum)* (Taipei: CPC, 1976), p. 78.

26 Chen Siyu, *Managing Board*, p. 229.

27 *Ibid.*, pp. 119–20.

28 Kirby, "Continuity and change," p. 126.

*weiyuanhui* 原功力進委員會, known as the *Lichin*) in all NRC-affiliated production units.<sup>29</sup>

The *Lichin* became the prototype party branch that was systematically set up in the early 1950s.<sup>30</sup> During the 1947 uprising, the Kaohsiung Refinery's *Lichin* leadership made up the backbone of the ill-fated workers' militia.<sup>31</sup> *Lichin* cadres were among the more trustable Taiwanese in the eyes of their mainlander superiors. The subsequent decimation of *Lichin* membership stunted the development of this embryonic party branch and further alienated Taiwanese workers from the KMT. The name of *Lichin* later became the title of a party propaganda periodical distributed to all employees.

The full-blown transition to Leninism in state-owned enterprises came with the KMT's re-organization in 1950–52. In order to exert a firmer control over this hostile island, the KMT proclaimed it was to build “a social base with the vast labouring mass of youth, intellectuals, agricultural and industrial producers.”<sup>32</sup> The central reorganization commission set up a special taskforce to speed up the building of a party branch in every nationalized factory and a party cell in every workshop. There was an impressive growth of worker party members from 26,505 in 1952 to 44,312 in 1957.<sup>33</sup> In 1954, the KMT claimed membership of between 25.3 and 45 per cent of the workforce in selected industries.<sup>34</sup>

In Kaohsiung Refinery, the party branch was originally designed as the 161st unit of Taiwan's industry and mining party branch. At its zenith, that party branch possessed 120 sub-units and at least one member in every workshop.<sup>35</sup> Once the Leninist structure was implanted, there was a noticeable intermeshing of management and party affairs. Traditionally, the refinery director served as the general secretary of its party branch, while his wife was unfailingly the chair of the Women's Mutual Help Society (*funü huzhuhui* 婦女互助會), one of the KMT's auxiliary units. The party branch itself was formally christened the Employee Relations Committee (*yuangong guanxi weiyuanhui* 員工關係委員會).<sup>36</sup> Nominally, this committee was in charge of “promoting national policies, communicating with employees, investigating employees' work and life, and coordinating with the union welfare committee,”<sup>37</sup> and in practice, it was responsible for the KMT's partisan activities. During the early period of intense political mobilization, party meetings attended by members and cadres were frequent. And these partisan activities, of course, took place in working hours.

29 Chen Siyu, *Managing Board*, p.237.

30 CPC, *History of Kaohsiung Refinery*, p. 471.

31 Xu and Fang, *The 28 February Incident*, Vol. 2, p. 28.

32 Li Yongjie, *Taiwan gonghui zhengce de zhengzhi jingji fenxi (Political Economy of Union Policy in Taiwan)* (Taipei: Juliu, 1992), p. 56.

33 *Ibid.* p. 62.

34 Kung Yijun, *Émigré Regime and Native Society*, p. 107.

35 CPC, *Gaoxiong lianyou zongchang changshi ji, di er ji (The Second Volume of History of Kaohsiung Refinery)* (Taipei: CPC, 1993), p. 715.

36 CPC, *History of Kaohsiung Refinery*, p. 471.

37 CPC, *History of Chinese Petroleum*, p. 1529.

The superimposed Leninist control was parasitical on state-owned enterprises and diverted a sizeable portion of resources towards non-productive purposes.

Evidently, the Leninist transformation did not bridge the ethnic divide. As late as 1975, mainlander party members still outnumbered Taiwanese members despite the fact that mainlanders only constituted 10 to 12 per cent of the population.<sup>38</sup> Contrary to the professed universalism, the KMT's membership structure was still heavily skewed to the mainlander-dominant sectors of "the military, governmental officials and teachers," who made up 52.7 per cent of total party members in 1969.<sup>39</sup> The KMT found it difficult to recruit Taiwanese members given the latter's previous traumatic experiences. A 1951 government report stated that party members in state-owned enterprises were concentrated in staff and policemen (mostly mainlanders) and Taiwanese workers were "not interested in party affairs."<sup>40</sup> The KMT failed to penetrate evenly into every social niche. With the ethnic boundary largely coinciding with that between party members and non-members, the pre-existing gap was further confirmed. Kaohsiung Refinery workers reported roughly the same situation. Few of them were persuaded to join the KMT. In their view, party activists were mostly mainlanders.

The counter-insurgent purpose of KMT Leninism entailed further monitoring of dissidents, whether they were party members or not. One of the stated purposes of the reorganization was to hunt down disguised communists. In 1957, in accordance with a government order, the refinery set up a security section under the personnel office.<sup>41</sup> The new section, later notoriously known as the Personnel II (*ren er* 人二), was in charge of monitoring employees by establishing an invisible network of informants throughout the factory. The Personnel II kept secret files of its supervised populace. In the 1950s, as petroleum refining was declared a national-defence industry, the Personnel II conducted a widespread search of the workshop whenever there was an industrial accident. In 1952, seven "communist spies" were exposed and executed, and their deadly "crimes" included illegal photographing of the refinery.<sup>42</sup> A minor joke could be seen as a scheme of pro-communist sabotage. One hapless worker who was mistaken as a communist spy was sent to be investigated for a week, and after his release would say nothing of what happened to his colleagues.

Mainlanders continued to enjoy their privileges over the Taiwanese. Compared to other government positions, state-owned enterprises offered better rewards since more than half of their income derived from the handsome rationing of necessities.<sup>43</sup> Thus, a sustained wave of mainlanders continued to

38 Kung Yijun, *Émigré Regime and Native Society*, p. 65.

39 *Ibid.* p. 62.

40 Chin-fen Chang, *The Privatization of State-owned Enterprises*, p. 216.

41 CPC, *History of Kaohsiung Refinery*, pp. 109–110.

42 *United Daily*, 3 December 1952, p. 4.

43 Wang Hongren, "1950 niandai de jieji jiegou yu liudong qutan" ("An exploration of Taiwan's class structure and mobilization in the 1950s"), *Taiwan shehui yanjiu jikan (Taiwan: A Radical Quarterly in Social Studies)*, No. 36 (1999), pp. 1–43.

move into state-owned enterprises through private *guanxi*. Nepotism was rampant. Favouritism towards mainlanders was further strengthened in that there was simply no uniform rule regulating the hiring of staff before 1965.<sup>44</sup>

Unionizing was also an integral part of the KMT's Leninist transformation. Overriding the opposition of the NRC technocrats, officials began a unionizing campaign in major public and private sectors in the mid-1950s.<sup>45</sup> For unknown reasons, unionizing in larger industries such as CPC (1959) and the Taiwan Power Company (1958)<sup>46</sup> was delayed. Far from empowering grassroots workers, the KMT's guidelines made it explicit that unions followed the party leadership. Without exception, union officials must be KMT members and were handpicked by the party branch.

### **Consolidation of Clientelist Control and Workers' Moonlighting (1959–87)**

Before unions were organized in Taiwan's state-owned enterprises, factory order was maintained by ideological indoctrination and threat. Arguably, there was a progressive decline in the use of negative incentives. To stabilize factory order, positive incentives such as job promotion and better payment could be selectively used to divide the workforce. Labour unions (1959) and the Staff and Workers' Welfare Committee (*zhigong fuli weiyuanhui* 職工福利委員會) (1960) were the main institutional channels through which favours could be distributed among the disfranchised Taiwanese workers.

Legally, the so-called industrial union could only be organized at plant level, not company-wide, sectorally or territorially. There was an exception for nationalized industries in which an industrial union could represent the whole company's employees and different union locals could represent subsidiary plants' employees. A Kaohsiung Refinery worker simultaneously belonged to the local Taiwan Petrochemical Workers' Union (TPWU) that represented three petrochemical plants in the Kaohsiung area, and the TPWU that stood for all CPC employees. The KMT government also decreed a system of complicated, overlapping indirect representation for all labour unions. Thus, Kaohsiung Refinery workers (numbering 9,000 at most in the 1970s) elected 80-odd union representatives, who in turn elected 12 directors and three supervisors for the TPWU's local union, and 30-odd union representatives for the TPWU. As well as these, there were around 100 group leaders (*xiaozu zhang* 小組張) who could sit in union meetings. There was also a committee of industrial safety, a committee of labour and capital relationship, a committee of reward and punishment, and a committee of collective negotiation. This organizational

44 CPC, *History of Kaohsiung Refinery*, p. 100.

45 Chin-fen Chang, *The Privatization of State-owned Enterprises*, pp. 219–28.

46 Thung-hong Lin, "Taiwan guoying shiye laodong guocheng de lishi bianqian" ("Historical change of labour process in Taiwanese state-owned enterprises") (Xinzhu: Jinghua University, MA thesis, 1999), p. 62.

design aimed to maximize the union positions to reward as many KMT loyalists as possible.

Like the KMT party branch, unions were parasitical on state-owned enterprises. Union meetings took place in working hours. Full-time union officers were still on the company's payroll. The union's office, utilities and every office item were provided by the company. An officer enjoyed paid leave for union meetings or labour education programmes. Occasionally, union officers had the opportunity of free trips to meet government officials and other union leaders. For a regular worker, a union post came with the chance to escape from shopfloor doldrums. Further, if a worker moved up to the executive level, he was authorized to use the union fund plus company subsidies and to hire some extra assistants. Petty corruption was certainly possible with these powers.

A union position came with the opportunity to meet important people in the factory. Pleasant impressions brought the chance to move up the job ladder. Before the rise of independent unionism in 1988, it was widely known that all the union officers in Kaohsiung Refinery moved upwards after finishing their tenure. Workers were promoted to the rank of staff, while lower-level staff were given executive positions.

Thus, being a union officer was rewarding, especially for Taiwanese who had long been ghettoized into the low-paying, low-status positions. In Taiwan's state-owned enterprises, the worker–staff distinction roughly corresponded to the boundary between manual and intellectual jobs. The former worked in the dirty, noisy and dangerous petrochemical plants, while the latter were placed in clean, air-conditioned offices. There was also a noticeably growing gap in their respective income. The following is an excerpt from a letter to a newspaper editor by a group of angry state workers in 1954.

During the Japanese occupation, a senior worker had a monthly income of 140 dollars, roughly on a par with the basic income of staff. Beginning in 1947–48, every wage rise came in many tricks, but all favouring the interest of staff ... After this adjustment, a low-ranking staff member has 800 dollars per month, and a middle-level (subsection chief) has an income above 1,000 dollars. The executive in our unit, for example, has an income of 1,600 dollars. Nevertheless, a junior single worker can only receive 240 dollars, whereas a senior foreman who leads 60–70 workers earns merely 570 dollars.<sup>47</sup>

The growing income gap was a deliberate attempt to favour mainland staff at the expense of Taiwanese workers. Yang Ching-chu (楊青矗), a Kaohsiung Refinery worker and novelist before his imprisonment for political activities in 1980, portrayed the ease with which mainlanders received a staff position even when they were obviously not qualified in one of his short stories.<sup>48</sup> For Taiwanese, ethnic and job segregation had been an insurmountable barrier prior to the establishment of unions. With union positions available, an ambitious

47 *United Daily*, 1 November 1954, p. 4.

48 Yang Jingju, *Chenyan xia (Under the Smokestack)* (Kaohsiung: Dunli, 1978), p. 167.

Taiwanese worker could demonstrate his eagerness to serve during his tenure and thus obtain a better career prospect.

There used to be a promotion examination nominally open to all workers. But the trick was that a large proportion of the scores came from executives' evaluation. Thus, workers might perform well in subject tests but fail to obtain favourable remarks from their superiors. As a result, Refinery workers could always easily predict who was going to succeed in promotion examinations. A staff position became a material reward for those who impressed their bosses with pro-KMT enthusiasm. This phenomenon was prevalent among Taiwan's nationalized industries. There was a tendency to overuse this reward so that many state-owned enterprises had an abnormal staff-worker ratio. In 1962, for example, the Taiwan Sugar Company, then the biggest enterprise in Taiwan, had 12,500 workers and 7,700 staff.<sup>49</sup> It was an intriguing question why this company, whose main business was to produce cane sugar, needed such a large corps of white-collar employees.

Under KMT rule, another powerful lever to recruit loyalists among the workforce was the paternalist idea of "enterprise town," in which employees' daily needs were organized within the premises of the company. The welfare committee of Kaohsiung Refinery was established in 1960. This was in charge of managing a host of welfare facilities (swimming pool, golf court, gym, library and bowling alley) and employee-only business (consumers' co-operative, laundry shop, barbershop and restaurant).<sup>50</sup>

In addition, it was legally required that a company should earmark 0.05 to 0.15 per cent of its revenue to a fund managed by the committee. This money was usually spent on the convention of buying annual gifts for employees. Procuring holiday gifts was a highly corrupt business in which large proportion of kickback was taken as an expected norm. Prior to the rise of independent unionism, workers were typically angered by the shoddy quality of gifts they received.<sup>51</sup> The Kaohsiung Refinery's welfare committee also operated an oxygen-producing factory.<sup>52</sup> Together with other smaller business, this venture gave the committee an independent managing power. At its zenith, the welfare committee had 128 workers, including those who were assigned by the company.<sup>53</sup> It is unthinkable that a modern enterprise could allocate more than 1 per cent of its workforce to doling out employee welfare unless structural corruption was involved. Yet such cases were prevalent among Taiwan's state-owned enterprises. As a 1961 government investigation revealed, typical mismanagement included unreasonably high revenue earmarking for the welfare

49 *United Daily*, 5 December 1962, p. 2.

50 CPC, *History of Kaohsiung Refinery*, p. 487.

51 Mei-chuan Huang, "Chukehua zhi neibu laodongli shichang, shequ yu gonghui de zizhi han zhuanbian: yi Gaoxiang lianyouchang weili" ("Internal labour market, community, and union's autonomy and transformation: the case of the Kaohsiung Refinery Plant") (Taichung: Tunghai University MA thesis, 1991), p. 25.

52 CPC, *History of Kaohsiung Refinery*, p. 491.

53 CPC, *The Second Volume of History*, p. 745.

fund and illegal use of the welfare fund for cash bonuses or employee loans.<sup>54</sup> In other words, a post in the welfare committee could be lucrative.

These institutions served nominally as mechanisms of labour participation, but in reality they constituted a patronage network that systematically distributed favours among loyalists.<sup>55</sup> Workers were never allowed to elect their own representatives as legally stipulated. Election manipulation helped the KMT to install their loyalists in the highly desirable positions.

Nevertheless, for the first time, positive incentives became an important lever to obtain political consent among state workers. Fully developed clientelism came into being only in this period. Workers uniformly pointed out the fact that senior workers possessed strict work ethics because they were trained in the so-called “Japanese spirit” which was lost in the younger generation. This observation was undoubtedly correct, but the explanation missed the changing ecology of the industrial relationship. Before the 1960s, a Taiwanese worker who came to age during Japanese colonialism was simply excluded from the redistributive system that was monopolized by mainlanders. Once unions and welfare committees were installed, the gate to the privileged club was slightly opened. Now a Taiwanese worker could work his way up by carefully cultivating *guanxi* with his superiors. Workers reported the fierce competition to win superiors’ favours. Ambitious workers had to “walk through the back door (*zou houmen* 走後門).” They provided personal services and gifts to bribe their superiors. To use Walder’s term, these workers adopted a “competitive strategy,” that is, public “display of attitudes and behavior that will bring a positive evaluation of *biaoxian* (表現, performance).”<sup>56</sup>

Under Leninism, ideological mobilization worked to combat the organizational tendency of routinization.<sup>57</sup> With less ideological underpinning and more material attractions, KMT cadres were more corrupt from the beginning. During the reorganization period, it was observed that the carefully planned political instruction for cadres was no more than “building connections and establishing personal relationships.”<sup>58</sup> The small circle of party cadres quickly degenerated into a privileged clique whose ideological identity was superficial at most. Less couched in terms of ideological allegiance, workers’ competitive strategy to win supervisors’ favours was more unabashedly materialistic.

The clientelist logic entailed that only a lucky minority could be beneficiaries. Positions to reward were always fewer than the aspirants so that the latter would spare no effort in this competition. Thus, even when some Taiwanese workers entered the clientelist game and obtained personal benefits, more continued to

54 *United Daily News*, May 20, 1961, pp. 1–2.

55 Thung-hong Lin, “Historical change of labour process,” p. 65.

56 Andrew G. Walder, “Organized dependency and cultures of authority in Chinese industry,” *Journal of Asian Studies*, No. 43 (1983), p. 65.

57 Schurmann, *Ideology and Organization*, p. 107.

58 Bruce J. Dickson, “The lessons of defeat: The reorganization of the Kuomintang on Taiwan, 1950–1952,” *The China Quarterly*, No. 133 (1993), p. 77.

be excluded. And at least a substantial portion of them never subscribed to the pressure of competitive currying for favours.

As a comparison, the so-called “defensive strategy” in Walder’s analysis was rare in Taiwan. It was uncommon for workers to put on a ritual façade of compliance in order to “keep the political system at arms’ length”<sup>59</sup> except during the early 1950s. Instead, Taiwan’s workers were able to pursue an innovative strategy of moonlighting to improve their living standards without perpetuating their subordination. Following Robert Merton’s analysis of anomie, finding an additional income was innovative in the sense that workers devised an alternative means to achieve the desired goal of a better life.<sup>60</sup>

Taiwan possessed a vast sphere of petty commodity production, in which the intensive use of family labour was the key to success for numerous small businesspeople. These provided upward mobility channels through which a hard-working factory hand could become a boss. As a result, Taiwan’s economy tended to be populated by a large number of small and medium businesses.<sup>61</sup> Hill Gates characterized this development of petty capitalism as a Taiwanese resistance against the KMT’s “tributary extraction” to feed on the privileged mainlanders. She noted that the tiny trickle-downs of the public sector nourished petty capitalism in the initial period. “State workers, through their purchases of petty-capitalist commodities, circulate the taxes from which they are paid to small-capital owners in a very large proportion of their daily spending.”<sup>62</sup> While Gates’ observation was undoubted true, the fact that state workers themselves also started their own businesses blessed this economic strategy with more characteristics of resistance.

Significant opportunities for moonlighting came with the turn to export-oriented industrialization in the early 1960s. As government began to encourage labour-intensive export to finance the trade deficit left by the termination of American aid, numerous business opportunities sprang up. The establishment of Nantze Export-Processing Zone in the vicinity of Kaohsiung Refinery in the mid-1960s attracted massive waves of rural migrants and created job opportunities. Refinery workers seized this chance by working as part-time electricians, plumbers, taxi-drivers, construction workers and peddlers. Some even took a second full-time job when they finished their shift in the petrochemical plant. Most workers took a manual job at first, then, after building up skills or accumulating enough money, moved into the rank of shop owners or contractors.

Workers were able to moonlight because work discipline was lax. Legally, all state workers were prohibited from taking second jobs. But they could always

59 Walder, “Organized dependency,” p. 68.

60 Robert K. Merton, “Social structure and anomie,” *American Sociological Review*, No. 3 (1938), pp. 672–82.

61 G. S. Shieh, “Heishou bian toujia: Taiwan zhizaoyezhong de jieji liudong” (“Factory hands become bosses: class mobility in Taiwan’s manufacturing”), *Taiwan shehui yanjiu jikan*, No. 2 (1990), pp. 11–54.

62 Hill Gates, *China’s Motor: A Thousand Years of Petty Capitalism* (Ithaca, NY: Cornell University Press), pp. 226–27.

silence their censorious supervisors by petty bribery. They saved energy during their shift by soldiering. The most cunning ones could find excuses to leave the factory to look after their own businesses.

For state workers, the attractiveness of moonlighting was the proportionate remuneration relative to one's effort, as David Stark found in the Hungarian secondary economy.<sup>63</sup> Once they found an economic niche that rewarded hard work and skill, redistributive patronage became less enticing. If workers were not interested in obtaining their supervisors' favours, the regular eight hours a day became a boring and unrewarding drag. With supervisors' connivance, moonlighting workers began to hire their colleagues to work their shift when their own business was tight. Subcontracting one's official job was so widely institutionalized that workers themselves developed a consensual formula to calculate the value of a shift. Reportedly, some workers who did not moonlight were eager to earn extra cash in this way. A refinery position was still indispensable for providing steady income, but the fact it became calculable and alienable underlined the degree of workers' indifference to KMT patronage.

There was growing detachment among moonlighters from the company. They certainly needed a secure job in the state refinery to provide regular income, but they wanted extra income more. Most of the moonlighters decided to move out of the company residence area because the dormitory was not a good location to attract outside customers. By moving out, they were also leaving the immense neighbourhood *guanxi* network.

In my field observation, all moonlighters were ethnic Taiwanese; no mainlanders adopted this innovative strategy. The reason was not difficult to understand: mainlanders occupied more advantaged positions in the refinery so there were fewer incentives to take an extra job. Further, moonlighting depended on the extended kinship network to provide the necessary know-how, money and skill. Without motivation and access, mainlanders were conspicuously under-represented in the subterranean petty capitalist world. The widespread moonlighting redressed the pre-existing ethnic imbalance in a covert manner. Most important of all, external market chances constituted a strong bulwark that curtailed the reach of clientelist control.

### **Breakdown of Clientelist Control (1988–2000)**

A series of political reforms were initiated in the mid-1980s. In the meantime, various social protests mushroomed as the aggrieved populace made use of the relaxed political environment. Refinery workers were no exception. In 1987, six workers joined the TPWU election with explicitly anti-KMT slogans. Unexpectedly, they beat the candidates supported by the party branch which

63 David Stark, "Coexisting organizational forms in Hungary's emerging mixed economy," in David Stark and Victor Nee (eds.), *Remaking the Economic Institutions of Socialism: China and Eastern Europe* (Stanford: Stanford University Press, 1989), pp. 158–59.

used to pull the strings of the union. Next year, these rebels seized the TPWU presidency by winning another round of elections. In 1989, the anti-KMT workers also took the leadership of the TPWU local union, whose jurisdiction covered all units of Kaohsiung Refinery. For a short period of three years, worker rebels shook off the former KMT control.<sup>64</sup> The union was a linchpin of clientelist redistribution; now under the workers' control, it became an organizational basis for grassroots mobilization.

Dissident workers were inspired by the rising wave of opposition that began in the late 1970s. On 10 December 1979, the opposition staged a human rights demonstration in Kaohsiung which resulted in a violent clash with police. Many refinery workers took part in the Formosa Incident. In the following years, these politically active workers were eager to attend speech rallies, read dissident magazines and campaign for opposition candidates before they turned their attention to their union. Obviously, pro-democracy opposition had something resonant with the state of mind of state workers. The opposition promulgated a powerful critique of the KMT authoritarianism, especially the subordination of the state to a dominant party. For workers, this criticism reminded them of the systematic favouritism for KMT loyalists. The ethnic undercurrent in the democratic movement was also congenial to the refinery workers who had suffered from mainlanders' arbitrary rule. In other words, though Taiwan's opposition movement was mainly led by middle-class professionals, they found an unexpected enthusiastic audience among state workers.

In the initial organizing, many worker leaders were warned by the Personnel II that their job security might be jeopardized if they insisted on political activism. Though it turned out that none was fired for this reason, the extra financial sources from moonlighting undoubtedly helped them to overcome this threat with more leeway. No wonder many worker activists were also moonlighters in their spare time. The famous worker-novelist Yang Ching-chu was also a tailor when he worked in the Kaohsiung Refinery.

The ethnic divide and moonlighting were conducive to the grassroots revolt as the political atmosphere turned favourable. The former provided ready-made constituencies to be mobilized, while the latter was a protection cushion against lay-off threats. For workers, the persistent status gap between them and staff was the most intolerable. On 15 July 1988, the TPWU under the workers' control staged an unprecedented demonstration in Taipei in which one of the conspicuous slogans was to demand "dignity for labour." In their view, workers had long been dominated by privileged mainlanders, corrupt party cadres and overbearing supervisors. Now they wanted to be treated equally.

In 1992, refinery workers took over control of the welfare committee, and for the first time a non-KMT worker was elected as its chair.<sup>65</sup> In response, the management transferred some operations to the company's direct

64 Ming-sho Ho, "Democratization," p. 124.

65 Taiwan Petrochemical Workers' Union Local One, *Ershisi ji hubian zengkan (Collection of 24 Issues of Union Papers)* (Kaohsiung: TPWU, 1994), p. 4.

supervision.<sup>66</sup> Consequently, the welfare committee had a shrunken business and could no longer offer kickbacks for KMT loyalists.

During the early 1990s, independent unionism had to fight the candidates supported by the KMT party branch. The latter enjoyed the management's full support so that they could run the campaign in office hours. However, it was not long before the worker-controlled union began to demand the KMT's withdrawal. Workers adopted a two-pronged strategy. Within the factory, they broadcast corruption stories of party cadres in the union newspapers.<sup>67</sup> They even sent a formal letter to the management to demand the removal of KMT-related offices. Secondly, union leaders collaborated with Democratic Progressive Party (DPP) politicians to expose the KMT's illegal activities.<sup>68</sup> The DPP elected officials were naturally happy to highlight these cases as evidence of unfair competition.

In the end, the management decided to abolish the Employee Relations Committee, citing the need of "personnel streamlining." A smaller Service Office of Employees and Dependents was set up to take over its business in 1993.<sup>69</sup> Union activists were certainly right in that the KMT cadres continued to exist within the refinery. Nevertheless, their partisan activities became more low-profile and virtually unknown except for the small circle of remnant KMT loyalists. In 1999–2000, as the author worked as a campaign assistant, the KMT did not present any slate of candidates nor did it actively campaign for anyone. Throughout the election, independent union activists fought against runaway factions. In the end they scored a landslide victory by obtaining all the 33 seats of TPWU representatives.

With the demise of the party-state infrastructure, KMT membership per se no longer automatically brought advantages in promotion and bonuses. Personal tyranny by supervisors was checked by the militant union whose DPP friends in parliament could exercise political pressure on the management. Mainlanders continued to be over-represented in the top echelon, but union power made sure that institutionalized ethnic discrimination was no longer sustainable. In other words, as Leninist control was challenged by revolt from below, rewarding loyalty as a labour control strategy faded as a distant memory.<sup>70</sup>

## Conclusion

Leninism is characterized by James Scott as a genre of "high modernism."<sup>71</sup> This perceives state power as a vital instrument to engineer progressive social

66 *Ibid.* pp. 52, 202.

67 *Ibid.* p. 132.

68 *Ibid.* p.74.

69 *Economic Daily*, 3 June 1993.

70 Arguably, privatization of state-owned enterprises since the mid-1990s was a new control strategy. But this topic is beyond the scope of this article. See Chin-fen Chang, *The Privatization of State-owned Enterprises*, pp. 76–77.

71 Scott, *Seeing*, pp. 147–91.

change. Coercion was a necessary component in this project because tenacious traditions had to be forcibly remoulded to make way for a new order. As contended by Scott, these ambitious schemes were doomed to failure because of the widespread yet hidden resistance from below. Walder's work clearly portrays the unintended consequences of Leninist control. Instead of liberating workers as a class, Leninism perpetuated their dependency. *Guanxi*, cynicism and corruption was rampant in socialist enterprises, in which factory order was delicately maintained by cadres' patronage.

In Taiwan, similar syndromes were present in state-owned enterprises. Nationalized industries were penetrated by party branches and a series of party cells. KMT cadres were given personal powers to distribute benefits among their followers. Workers, in turn, were encouraged to join a competitive game for superiors' favours.

However, this article argues that Taiwan's case followed another trajectory. Leninist transformation was imposed for counter-insurgent purposes, rather than revolutionizing the existing social order. Taiwan's Leninist control was weaker in its societal embeddedness. First, post-war ethnic division preceded the installation of party-state infrastructure in the industrial sector. A rejuvenated attempt to build a mass basis in the 1950s failed to transcend the existing ethnic barrier. In the 1960s, when positive incentives were used to obtain workers' loyalty, some Taiwanese workers were incorporated into the emerging clientelism, but the majority of them were excluded.

The growing private sector was another constraining factor. Seizing the opportunity of economic liberalization in the 1960s, state workers began to take all kinds of additional job. Moonlighting brought considerable income and skill pride, and increasing detachment from the redistributive network. Psychological and economic independence brought the wherewithal to resist the clientelist dependency.

This article further argues that weakly embedded Leninism was vulnerable to revolts from below. While ethnic division provided a distinctive group of workers to be mobilized and moonlighting enabled workers to be insulated from organized dependency, democratic opposition in the 1980s acted as a cataclysm to workers' activism. Riding on the wave of political liberalization, dissident workers seized control of their unions and successfully dismantled the remnant Leninist infrastructure.

To conclude, Taiwan's story revealed the varying degree of embeddedness of the Leninist regime. Pre-existing social structures were able to modify the extent of party-state penetration and shape its evolution dynamics. If this conclusion is accepted, the comparative study of two Chinese societies across the Taiwan Strait can be placed upon a new ground.

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