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Contesting Taipei as a world city

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This paper aims to analyze the contesting process in building Taipei as the world city in Taiwan's current democratic transition period. Special attention is paid to the dwindling status of Taipei as the world city due to the North-South political divide in the national politics in which the ruling party supports its politically based city in the south as contesting with Taipei in the north where the opposition party has been dominant. We argue that this North-South divide provides a favorable environment for the ruling party to mobilize and maintain its support in the south as against the north which has nevertheless resulted in the declining status of Taipei in the international city competition.

Introduction

This paper aims to describe and analyze the contesting process in building Taipei as a world city in Taiwan's democratic transition period. Special attention will be paid to the dwindling status of Taipei as the world city due to the resistance of the central state to support Taipei city's globalization and regionalization strategy. Taipei has been the economic center since the Japanese colonial period (1895–1945) and a *de facto* capital city since the 1950s. The long-term dominance of Taipei city in terms of political and economic powers in Taiwan's political economy met an unprecedented challenge in the beginning of the new millennium. That is, the ruling party (began from 2000 to 2008), the Democratic Progressive Party (the DPP), supports its politically based city in the south—the city of Kaohsiung—as contesting with Taipei in the north for a world city status. It is in the north where the opposition party, the Kuomintang (the KMT), has been dominant. We will argue that this rivalry has been largely over-determined by the North-South political divide, which has arisen due to the concurrent global economic transformation and domestic political democratization, through which the dominant economic role of Taipei has progressed even further while the south has suffered from deindustrialization and rising unemployment. This North-South political divide provides a favorable environment for the ruling party to mobilize its political support as opposed to the north which has benefited more than it has been harmed by the process of globalization. The contesting process in building Taipei as a world city therefore represents the complex features of economic vs. political-populist power, and the regional competition between the north vs. the south. This paper argues that the domestic political struggle has resulted in the declining status of Taipei in the international city competition.

This paper will extend the glocalization thesis in the regional studies literature by arguing that a world city formation is a

complex political process rather than merely a local economic response to globalization (Swyngedouw, 1997; MacLeod and Goodwin, 1999; Mansfield, 2005). As Short *et al.* (2000, p. 325) maintain, 'the local is not simply a passive recipient of single, unitary global processes. Processes flow from the global to the local.' Or as Keil (1998, p. 632) argues, 'globalization takes shape in the world city. This makes the articulation of specific places dependent on local struggles and gives world city politics a place-specific character.' Therefore, in a way that is different from the mainstream theoretical model of world city formation (Friedmann, 1986, 1995; Sassen, 1991/2001, 1994), which tends to reduce the role of the central state and local government to its economic function as promoters of a world city, this paper will explain Taipei's development toward a world city (or not) based on the perspective of domestic politics. We maintain that a world city formation involves a globally structured but locally contingent process. Local and national politics can shape the ways in which transnational capital flows are channeled and transmitted to the local space.

We nevertheless will follow the mainstream world city literature by maintaining that a capital city has more advantages than other cities in terms of becoming a world city due to its concentration of political and economic power. As Taylor suggests (2000, p. 6), 'most of the great cities of history were centers of state power and the roster of world/global cities are dominated by capital cities.' This 'capital city's advantage' thesis will be shown in our case study, but this advantage, as will be argued later, has turned out to be the target of local political struggles as other areas have been de-linked and have suffered from the same process of globalization.

Taipei as a *de facto* capital city

Historically, the urban form of Taipei city's development was largely predetermined by the militarized regime. In 1895, following China's defeat in the Sino-Japanese War, Taiwan was colonized by the Japanese. Taipei then became the city where the colonial government was located and its importance in political and economic activities was accelerated. Following Japan's defeat in 1945, Taiwan was re-established as a province under the Republic of China. Four years later, after the KMT regime was defeated by the Communists in the Civil War, the Central Government relocated to Taiwan and made Taipei its provisional capital. On 1 July 1967, Taipei was raised to the status of a special municipality directly under the jurisdiction of the Central Government and became the *de facto* capital city. Meanwhile, as part of its preparation for the continuing Civil War and in order to 'return to the mainland,' the city of Taipei became the place where all major governmental and military offices were located.

As Therborn (2002, p. 26) argues, 'Capital cities, qua capitals, are manifestations of political power. They are invested with symbolic functions representing the polity and the country/the people they are capitals of.' Indeed, by taking over the island, the KMT regime inserted its image of a unified Chinese nation and homeland through a number of strategies. For instance, it renamed the streets and public spaces, using names taken from the territory of mainland China and inserted Chinese style architectures in city centers that significantly changed the landscape of the city. In the city of Taipei, the streetscape was replicated with the geography of China so as to associate Taipei with the Chinese homeland. Streets in the southern area of Taipei were named after the southern parts of China, for example Guangzhou street, Fuzhou street, while streets in the northeastern area of the city were named after the northeastern parts of China, such as Jilin road, Changchun road, or even Tibet road in the northwestern outskirts of the city, etc. The renaming of the streets reflected the KMT regime's political power as well as the territories it imagined it had claimed (Leitner and Kang, 1999).
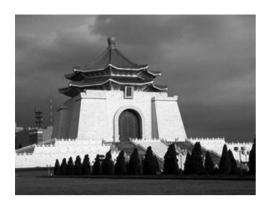
Figure 1   Chiang Kai-shek Memorial Park.

There were also many important buildings using Chinese-style architecture that were built by the KMT regime in the city, for example, the Grand Hotel and the National Palace museum. Nevertheless, the most important monument that the KMT regime ever built was the Chiang Kai-Shek Memorial Hall in the city center (see Figure 1). The monument was located at the east end of the Chiang Kai-shek Memorial Park, covering over 240,000 square meters. A main gate was placed at the west end, reflecting the desire to return to mainland China. The monument is white, has four sides and is covered with blue-glazed glass tiles, representing the color of the KMT's flag. Inside the memorial building, a large bronze statue of Chiang Kai-shek dominates the main hall. An elaborate caisson is set into the ceiling, decorated with the emblem of the KMT symbol. All these elements of the monument represent the typical features of a traditional Chinese palace where the emperor is to be remembered. The memorial park, with its enormous public space, later ironically became the gathering place for student protests against the authoritarian KMT regime in the democratic transitional period.

Taipei as an economic power center

Taipei was already the economic center in the Japanese colonial period. Its economic power

was expanded even further after the war (Chang, 1995). From the 1960s onwards, Taiwan took advantage of the expansion of the US economy by adopting an export-oriented industrial policy in order to produce cheap industrial products for the US market (Wade, 1990). In this industrialization process, Taipei played the economic node and center that linked local producers with global market. In 1981, over 90% of international trade and over 80% of business service employees in Taiwan were located in Taipei city. In all sectors of the tertiary industry, the number of those employed in Taipei city was more than twice the sum of those in the next three largest cities in the same year (Chang and Tsai, 1997, pp. 529–530). The concentration of the business service sector in Taipei was due to its status as the national capital which made it convenient for the enterprises to get access to national offices, business networks, and valuable information.

Taipei's economic power was further strengthened in the 1990s as the Taiwan economy began to reach out to Southeast Asia and China. The regionalization of the Taiwan economy has enhanced the status of Taipei as a regional hub, through which capital transactions and transnational travel have greatly increased (Hsu, 2005). Indeed, faced with the challenges of global capitalism, the Taiwanese state in the early 1990s began to adopt new development strategies to enhance the nation's physical infrastructure and increase Taiwan's competitiveness in the world market. These strategies involved policies that led to huge investments in physical infrastructure and the relaxation of restrictive regulations for market operation, so as to create space both physically and economically to upgrade the economy and attract more foreign investment. Specific projects that were set up for Taipei city included those mentioned below (Wang, 2004).

Firstly, in order to respond to the globalization process, the city government started to promote the 'Taipei Manhattan' project that was intended to build the Hsin-yi district (an area in the eastern part of the

city) into a new financial and commercial center. The city government wanted to build up this area to become the window of Taipei in marching into the 21st century. Therefore, this area was to be equipped with infrastructure for the international financial center and to promote global connections (Jou, 2003; Ching, 2005). Secondly, a new discourse on building Taipei as an international financial center was created and a new governance structure was installed in the process. In order to push the Taipei Manhattan project, the city government began to form a new private-public coalition to develop the Hsinyi district. One of the most successful cases was the development of the new international financial center building (Taipei 101), which was designed to signify the rise of Taipei in global capitalism. Currently, Taipei 101 is the world's tallest building which reflects and signifies the aspirations of the Taiwan state and its capitalists to build Taipei into a hub within the world city networks (see Figure 2).

The increase of Taipei's economic power in the globalization process can be shown as

Figure 2   Taipei World Finance Center.

follows. In 2000, the number of business units in Taipei city comprised 20% of the total for the island while in production value terms they accounted for about 37% of the total for Taiwan. Taipei also hosted the headquarters of all (40) domestic banks, all foreign bank (leading) branch offices (38), 142 (or 65%) of the headquarters of the 220 domestic securities companies in Taiwan, all (26) foreign securities and investment agencies, as well as the headquarters of 74 of the top 100 industrial enterprises (Wang, 2004, p. 387). These figures reflect the growing importance of Taipei city and the increasing integration of its business units with global capitalism.

Regional inequality and electoral disparity

One of the most salient and contradictory features of the Taiwanese political economy in recent years is the dilemma of the increasing economic integration with China while its political regime has remained hostile toward its counterpart across the Taiwan Strait. Taiwan went through a process of democratization in the late 1980s and early 1990s that was based on a desire to become a new nation state. As democratization was consolidated in 1996, the reformers of the KMT regime, led by President Lee Teng-hui, began to promote Taiwan as a sovereign state in the international arena (Wang, 1996). A new nation-building project involving a process of de-Chinalization and Taiwanization was propagated, which was finalized in President Lee's official proclamation in July 1999 regarding the relationship across the Taiwan Strait as being a 'special state-to-state relationship' (Wang, 2006).

The contradiction between geo-economic and geopolitical tendencies only became intensified when the DPP came to power at the state level in 2000. The DPP was already well known for its pro-independence ideology, which as a consequence only roused the suspicions of the People's Republic of China (PRC) and increased the tensions across the

Taiwan Strait. As a result, the DPP perceived that deep economic integration with China would entail great political risk for an independent Taiwan project, and therefore it adopted every possible strategy to avoid that deep integration from happening.

Before 2000, Taiwan's city-regions could be roughly divided into three areas that were aggregated by different types of industries. The northern part of Taiwan, including Taipei City, was an area in which most of the electronics industry was concentrated. It was also referred to as the 'Hsinchu-Taipei high-tech corridor.' The central Taiwan region, including Taichung city, was the place where most of the traditional labor-intensive light industries were gathered. The southern part of Taiwan, including the second largest city in Taiwan, Kaohsiung, was where most of the heavy and capital-intensive industries, such as steel, petrochemicals, and shipbuilding, were concentrated.

The process of globalization has amplified the already existing regional inequalities. In effect, Taipei has benefited from this great transformation as it has become more closely linked with global capitalism, while other regions have suffered from the relocation of manufacturing firms to ASEAN countries and China. This effect of the regionalization of the Taiwan economy can be felt when considered in terms of household income and unemployment rates. As for household income, Taipei city's annual household income, during 1998–2005, has been the highest in Taiwan. Taipei's annual household income was also higher than that of Kaohsiung city. The 2001 average unemployment rate in the northern region was 4.47%, that in the central region was 4.53%, and that in the south was 4.55%. The difference in unemployment rates was especially marked between Kaohsiung city and Taipei city, where the former had the highest rate (5%) in Taiwan as compared to the latter's lowest figure (3.9%) in 2001.

All these figures were indicative of the disparity among regions, particularly between north and south. This gave the DPP a base for an anti-China political discourse so as to propagate the view that deeper economic integration with China was not only politically suicidal, but also economically harmful, especially for the south. The DPP was able to utilize the worsening north-south inequality to mobilize and summon voters in the south in the elections. In order to secure support from the south, the DPP regime then diverted resources from Taipei to the south, particularly to Kaohsiung city where the DPP had ruled for many terms. Such DPP policies included reducing Taipei city's annual budget as legitimized by the policy of 'balancing the north and the south'; restraining the policy of outward investment to China as legitimized by increasing internal employment opportunities, particularly to the south; and creating new high-tech parks and promoting the 'Returning Investment from Overseas' project in the central and southern regions in order to boost their economies and increase the employment rate. In some other cases, the central state would ally with its DPP-run local states to boycott Taipei city's globalization strategies. The best example was the cultural festival of 'Asia-Pacific Cultural Capital.' This festival was organized in 2001 by Taipei city government to promote Taipei's international connections, but was collectively boycotted by cities and counties ruled by the DPP. In addition, Taipei city government announced that the city was almost ready for the opening of direct air links with China, but the central government stated that Taipei will not be selected as a port for handling direct cross-Strait transportation services. All these indicate that the central government did not and would not support Taipei in developing into a world city.

On the contrary, in order to support Kaohsiung city, the DPP regime even installed 'a national competitiveness based on the south-north double cores' project so as to show its determination to support Kaohsiung city as a world city. Many in Taiwan believe that this was also because the

mayor of Kaohsiung city was a DPP member, who was considered to be a president candidate for next run election, and therefore the central state had given the city much more favor than before in order to sustain the support of voters and the mayor's popularity. This has been especially shown in the central government's financial support to the cities, in which the state has largely subsidized Kaohsiung city at the expense of Taipei city. Nevertheless, because of Taiwan's de-industrialization, the port of Kaohsiung continued to decline from third to sixth position in terms of the world's busiest ports in 2005, being superseded by Pusan, Shenzhen, and Shanghai.

The DPP's financial support and its political discourse for the south has won for itself a hardcore supporter. The election data clearly show that there has existed a north-south division of the popular vote in elections since 1997. Take the county executive and legislative elections as examples. In the county executive elections, the DPP has gradually lost its dominance in the north, from having six seats among the county executives in 1997 to two seats in 2001 and none in 2005; however, it has gained popularity in the southern region, from three seats to five and four seats during the same period. Significantly, the voter base for DPP has almost completely disappeared in the north and become consolidated in the south in the 2005 and 2008 elections. Indeed, in the 2008 legislative election, the DPP won only 26 out of a total of 113 seats, in which all but one seat were from the south.

The DPP's strategy, however, has not only seriously damaged Taipei city's competitiveness, but has also hurt its own political support. On the one hand, imposing restraints on the further integration of the Taiwan economy with that of China has simply hurt Taipei's status as a regional hub. Indeed, as Taylor (2004) and Taylor and Aranya (2006) maintain, Taipei's status as a world city has been declining in terms of the 'global network connectivity' of the top 100 production service firms. Its global connectivity has not only been passed over by Seoul, Shanghai, and Beijing, but has also been surpassed by Kuala Lumpur, not to mention the first-tier world cities in the region, such as Hong Kong and Singapore. On the other hand, the DPP's strategy in consolidating the south has only caused it to isolate itself in the rural south and has prevented it from gaining the support of the rest of Taiwan and Taipei city.

Conclusion

This paper extends the glocalization thesis to analyze the contesting process in building Taipei as a world city. We argue that Taipei was built according to the KMT regime's depiction of the homeland following World War II. In the 1990s, as the Taiwan economy became more integrated with other areas in the East Asian region, the state and the city government worked together to build Taipei into a world city in the new era of global competition. The Taipei Manhattan project and the construction of Taipei 101 in the early 1990s signaled the intention to develop Taipei into a regional hub in the global capitalist world. Nevertheless, the centralization of the economic power of the capital city in the globalization process has galvanized the existing inequality among regions. The DPP took advantage of this opportunity to mobilize support from the southern region in the elections and consolidated its social and political base. We argue that the DPP's pro-south policy has only isolated it from the global-north and has damaged Taipei's status in the world city competition.

The DPP's rule was ended in the 2008 presidential election, in which the KMT won a landslide victory over DPP. The latter's political support has shrunk even further into a small territory. Now the new elected KMT government wants to pursue a new globalization and regionalization strategy in which a rebuilt Taipei will feature as a regional hub in its economic agenda. Moreover, in order to reboot the economy, the

state reopens the forum of cross-Strait negotiation with PRC as to smooth the political tension and to establish deeper economic linkages across the Taiwan Strait. All these measurements simply generate strong reactions from the now opposition DPP. As can be imagined, Taipei's world city status shall be enhanced by the current KMT development strategy; nevertheless, the wider political environment is still in a state of contestation that will largely shape the future of Taipei city.

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