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Official figures tell only small part of cross-straits story

Taiwan is much more than beachhead :

Good trade makes good neighbors

By Paul Hsu

Current Taiwanese policy is to allow only indirect investment from Taiwan into mainland China, albeit with a wink and a nod. Common practice during the past two decades has been for Taiwan-based companies to set up companies in Hong Kong, Singapore or elsewhere, such as the Cayman or Channel Islands, to carry out these so-called indirect investments across the Taiwan Strait into mainland China.

A high percentage of such investments are for the manufacture of products in mainland China for export to the world market with Taiwanese companies outside mainland China taking purchase orders from the marketplace. This "Made in China by Taiwanese" phenomenon is comparable to "Made in Thailand by Taiwanese," "Made in Malaysia by Taiwanese" or "Made in Vietnam by Taiwanese." All are the results of fresh business models created by Taiwanese industry leaders in their creative efforts to globalize.

The estimated value of Taiwan-based companies' cumulative equity investments into mainland China over the past decade ranges from the most conservative figure of \$15.6 billion, issued by the Taiwan Ministry of Economic Affairs, to \$50 billion, the number used by Ing-Wen Tsai, chairman of the Mainland Affairs Council in an address to the Taiwanese Chamber of Commerce in San Francisco on January 21, 2000. According to China's Ministry of Foreign Trade and Economic Cooperations, from 1979 to September 2000 Taiwanese investment projects in mainland China numbered more than 45,700, covering electronics, chemicals, plastics, basic metals and a wide range of service industries.

The discrepancy between the referenced statistics is neither devious nor mysterious. Some Taiwanese investors did not to obtain prior official approval from the Taipei government for their investments in mainland China, for these were made either through a third country using their own capital funds located outside Taiwan, or through debt financing arranged by international financial institutions. Such investments are not included in the statistics provided by the Taiwanese government.

Trade between Taiwan and China is growing by a similar if not greater order of magnitude. The actual figures are easier to pin down. Regarding cross-straits trade relations, in 1979 the value of Taiwan exports to mainland China was only \$21.29 million. By 1999, this figure had reached \$19.5 billion. It's an open secret among

Chinese business partners that the overall growth of economic activity and partnering is impacting more than economic statistics.

Taiwan has become the mainland's fifth-largest trading partner, with a trade surplus of any country trading with China.

Despite the ideological and political differences between Taiwan and China, significant economic interaction has now been established. The phenomenal growth in investment and trade seems to indicate that both sides have successfully separated business from politics. This may represent a lesson for many areas of the world still facing devastating political confrontation. Social values, ownership issues and the practice of capitalism itself are all involved and influenced.