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## **More than tax incentives needed to boost HQs**

By William C. Pao

Panelists at a conference yesterday said the government needs to offer more than just tax incentives to attract foreign and local companies to set up operations centers on the island.

The meeting, "Taiwan as an Asia-Pacific Operations Center," was organized by the Epoch Foundation, which invited experts from the industries, government and academia to discuss an issue that has gained attention ever since the government earlier this year adopted a plan on setting up business headquarters in Taiwan.

The plan offers tax incentives to companies operating either global or regional headquarters, which make an annual profit of at least NT\$1 billion, have an average of 100 local employees-of which 50 must be college graduates - and have overseas subsidiaries in more than two countries.

Operations handled by an operations center should involve the management of the company's worldwide business units, finance and intellectual property rights.

However, the experts at yesterday's seminar gave candid and thoughtful opinions on the subject, saying tax incentives alone would not help bring businesses to set up headquarters on the island.

Bruce Cheng, chairman of Delta Electronics Inc., said the government must offer an attractive investment environment for both local and international businesses.

"What we need today are superior infrastructure, talents, a healthy financial system and a free and stable society," Cheng said.

The chairman cited his company's experience of choosing the Netherlands as its European head-quarters, saying that not only does the country have outstanding infrastructure but it also has reliable telecommunications services, a healthy financial system and a huge English-speaking population.

Other panelists echoed Cheng's remarks, saying a sound financial industry and

proficient language skills by people also play an important role in a company's decision to set up business headquarters at a particular location.

Y.T. Du, managing director of Salomon Smith Barney Taiwan Ltd., spoke from a foreign investor's point of view, emphasizing that the reform of Taiwan's banking system-especially financial institutions at the grassroots level-is of utmost importance if the government wants to bring international companies to the island.

"If the grassroots financial services are not properly reformed, then the perception of an impending financial crisis would always be in the minds of foreigners," Du said.

What the government should do, he further pointed out, is to create a financial system that enforces banks to adopt international standards of bad loan recognition, provide full disclosure of their operations and strengthen their risk management.

Du went on to say increasing the pool of talent and strengthening Taiwan people's English skills were also of talent and strengthening Taiwan people's English skills were also of vital importance. He also called on the government to speed up the work permit/visa application process for foreign professionals.

The issue of cross-strait relations also came up during the meeting. Lawrence Liu, attorney with Lee and Li Attorneys-at-Law, said governments on both sides of the strait must use wisdom to create win-win situations on cross-strait policies, thus making the region more stable-and ultimately more attractive to foreigners.

Cheng of Delta Electronics said it is an undisputable fact companies all over the world are increasing their investment in mainland China-a situation unimaginable just a few decades ago when the mainland government was involved in bloody internal power struggle and Taiwan was putting its wholehearted effort into building the economy.

"That's what made Taiwan's economic miracle possible," Cheng said, implying the situation has been reversed.