

場次：台灣在區域經濟發展與競合中的角色 (第二場)

題目：Taiwan as an Asia Pacific Operation Center 2002

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Let's first have a quick review on Taiwan's overall position. Taiwan possesses financial strengths, holding the 3rd largest foreign reserves, and strong manufacturing expertise in a wide range of industries, from labor-intensive to capital-intensive and high-tech-intensive. In addition, Taiwan has a highly educated workforce. Recently, the Swiss-based IMD ranked the education system of Taiwan the 8th in the world. Geographically, Taiwan has a strategic position, as a gateway from the United States to Asia. Also, Taiwan is in close proximity to mainland China, which can be either good or bad, depending on how the political situation works out. The infrastructure, such as ports, telecommunications, is reasonably established. Particularly, the Internet access rate is close to Singapore and Hong Kong.

Based on these advantages, Taiwanese companies, especially manufacturing companies, have been expanding in Asia in the past ten years. And mainland China has been the prior destination for Taiwan's direct investments in Asia for the past five years. According to the statistics of Industrial Development and Investment Center and Investment Commission, MOEA, Taiwan's total investment in Asia amounts to US\$51.3 billion in the last decade (1991~2001), which ranks among the top 3 in most Southeast Asian countries. With the abundant investment, Taiwanese companies brought in not only capital but also management, product development capability, as well as a customer base.

Take China as an example. It has the sectors Taiwanese has been investing in Asia. It is obvious that electronic manufacturing industry takes the lead, followed by the basic metal & machinery, plastic manufacturing, food & beverages, chemical production, textile etc. This pattern reflects the strengths and weight of Taiwan's manufacturing industries. Given the market and workforce, the importance of China for Taiwan's investments has increased since 1997.

Based on statistics released by the Chinese government, for the period from 1991 to 2001, Taiwan's actual investment totaled US\$29 billion, which is 45% higher than US\$20 billion announced by Taiwan's government. Taiwan is in fact the fourth largest investor after Hong Kong, US, and Japan. Reasons behind this understatement are that most Taiwanese investments were done through third countries, such the Virgin Islands, Hong Kong and Singapore.

Moving to Taiwan's financial assets in Asia, as of the end of March of this year, Taiwan has a total international foreign claim of US\$61.3 billion possessing 0.53% of the global market share, which is over one third of the investment in the Asian region. At US\$23 billion or 6% of all international claims to countries in Asia and the Pacific region, Taiwan's financial assets in the region ranked 7th after US, UK, Japan, Germany, France and the Netherlands.

As to Taiwan's financial institution's presence in Asia, there are 33 Taiwanese banking branches and 12 securities offices in the region. Most of these offices are located in Hong Kong, Singapore and Japan. Their major activities are more focused and limited compared to international banks and mainly provide trade related services to Taiwanese enterprises as well as serving overseas Chinese companies in the local market. Reasons for less significant banking presence include (1). late entry into the financial market, which is not until 1990; (2). limited experience in overseas operations; (3). lack of economies of scale, insufficient resources to explore external markets; and (4). banking presence in mainland China was disallowed by Taiwan government until recently.

There are also some domestic issues faced by Taiwanese financial institutions. First of all, Taiwan is over banked and fragmented. As indicated in a research, the combined market shares of the top 5 banks in Taiwan is 33%, 64% in Hong Kong, 69% in Korea and 80% for the top 3 banks in Singapore. As a result of over banking, the returns are relatively low. The NPL (Non performing loan) problem recently has brought intensive attention to Taiwan. In terms of the management scale, Taiwanese banks have been over-regulated and over-protected by the government in the past. Thus, modern banking expertise, such as product innovation, risk management and IT infrastructure, still has room for improvement to attain international standards.

Due to the domestic issues, consolidation in the home market should take the priority. In the past few months, the government has taken measures to facilitate clean-up of NPLs and M&A (Merger and Acquisition), and cross-product integration has been put in place. Financial reform and consolidation shall improve the efficiency and strength of Taiwan's financial sector. Then, the sound domestic financial sectors will serve as a solid foundation for further expansion into the region. Regarding the future role of Taiwan's financial sectors, it rests on their strategies and resource allocations.

Taiwan holds probably the 2nd or 3rd largest wealth pool in Asia. With free choices and more efficient use of Taiwan's huge wealth pool, it will benefit both Taiwan and the region. With low inflation and gradual maturity of Taiwan's economy, Taiwanese insurers and asset managers are under pressure to seek higher return investments. In addition to innovative product development in the domestic market, Taiwanese insurers and asset managers are increasingly looking to overseas markets. For the current overseas assets in Taiwanese insurance companies, they stand at 14% roughly and grows steadily over the years. In asset management companies, the overseas funds accounts for only 3%. Compared to developed countries, such as the Netherlands and the U.K, their percentage of overseas asset investment is 30%~40%. It leaves a great deal of space for Taiwan to cover. In addition, pension reforms such as defined contribution scheme and outsourcing shall provide further boost to the investment pool.

The recent reform has provided good opportunities for Taiwanese financial institutions, banks, security firms or insurance to further consolidate or upgrade their operations and be better positioned to expand in the region.