## Appendix: English Translations of the Names of Chinese Journals, Newspapers, Magazines and Websites

### Journals

<table>
<thead>
<tr>
<th>Name (Origin)</th>
<th>English Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jingji Yanjiu (mainland China)</td>
<td>Economic Research</td>
</tr>
<tr>
<td>Laozi Guanxi Yuekan (Taiwan)</td>
<td>Industrial Relations Monthly</td>
</tr>
<tr>
<td>Taipei Yinhang Yuekan (Taiwan)</td>
<td>Taipei Bank Monthly</td>
</tr>
<tr>
<td>Taipei Jingji (Taiwan)</td>
<td>Taiwan Economy</td>
</tr>
<tr>
<td>Taiwan Jingji Yanjiu Yuekan (Taiwan)</td>
<td>Taiwan Economic Research Monthly</td>
</tr>
<tr>
<td>Taiwan Yanjiu (mainland China)</td>
<td>Taiwan Studies</td>
</tr>
<tr>
<td>Taiwan Yanjiu Jikan (mainland China)</td>
<td>Taiwan Research Quarterly</td>
</tr>
<tr>
<td>Taiwan Yinhang Jikan (Taiwan)</td>
<td>Taiwan Bank Quarterly</td>
</tr>
<tr>
<td>Zhanlue Yu Guanli (mainland China)</td>
<td>Strategy and Management</td>
</tr>
<tr>
<td>Zhongguo Nongcun Jingji (China)</td>
<td>Chinese Rural Economy</td>
</tr>
</tbody>
</table>

### Newspapers

<table>
<thead>
<tr>
<th>Name (Origin)</th>
<th>English Translation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gongshang Shibao (Taiwan)</td>
<td>Commercial Times</td>
</tr>
<tr>
<td>Guoji Ribao (United States)</td>
<td>International Daily News</td>
</tr>
<tr>
<td>Jingji Cankao Bao (mainland China)</td>
<td>Economic Reference News</td>
</tr>
<tr>
<td>Jingji Ribao (Taiwan)</td>
<td>Economic Daily</td>
</tr>
<tr>
<td>Lianhe Bao (Taiwan)</td>
<td>United Daily</td>
</tr>
<tr>
<td>Lianhe Zaobao (Singapore)</td>
<td>United Morning Post</td>
</tr>
<tr>
<td>Ming Pao (Hong Kong)</td>
<td>Ming Pao</td>
</tr>
<tr>
<td>Nanfang Ribao (mainland China)</td>
<td>Nanfang Daily</td>
</tr>
</tbody>
</table>
Pingguo Ribao (Hong Kong) | Pingguo Daily
Qiaobao (United States) | The China Press
Renmin Ribao (mainland China) | People's Daily
Shijie Ribao (United States) | World Journal
Tsingtao Ribao (Singapore) | Tsingtao
Xiamen Ribao (mainland China) | Xiamen Daily
Zhongguo Shibao (Taiwan) | China Times
Zhongshi Wanbao (Taiwan) | China Times Evening News

Magazines

**Guang Jiaojing** (Hong Kong) | Guang Jiaojing Monthly
**Haixia Guangjiao** (mainland China) | Haixia Guangjiao
**Huaxia Guangjiao** (mainland China) | China Perspective
**Jingbao Yuekan** (Hong Kong) | Mirror Monthly
**Jingji Qianzhan** (Taiwan) | Economic Outlook
**Jiushi Niandai** (Hong Kong) | The 90s
**Kai Fang** (Hong Kong) | Kai Fang Magazine
**Kuang Hua** (Taiwan) | Kuang Hua (a bilingual monthly)
**Liangan Guanxi** (mainland China) | Relations across the Taiwan Strait

**Liaowang Newsweek** (mainland China) | Outlook
**Maoyi Zhoukan** (Taiwan) | Trade Weekly
**Tianxia Zazhi** (Taiwan) | Tianxia Magazine
**Xin Taiwan** (Taiwan) | New Taiwan Magazine
**Yazhou Zhoukan** (Hong Kong) | Asia weekly
**Zhongguo Shidai** (Hong Kong) | China Era
**Zhongshi Zhoukan** (Taiwan) | China Times Weekly
**Zhuo Yue** (Taiwan) | Zhuo Yue (Outstanding) Magazine

Websites

**Duowei Xingwen Wang** (United States) | www.chinesenewsnet.com
**Xinlang Wang** (Hong Kong) | www.sina.com
NOTES

1. Statecraft, Capital Mobility, and Institutions: Toward a Dynamic Interactive Model

5. 5.For the theoretical formulation of this kind of situation, see David A. Baldwin. 1985. Economic Statecraft, Princeton: Princeton University Press. 121, 129.
14. Hirschman. 1945. 29; also see Keohane / Nye. Ibid.
17. Keohane and Nye. 11.
Notes


43. Hall. 19.


46. Hall. 165.


2 The Politics of Strategic Interaction across the Taiwan Strait


25. Sutter. 86–87; Leng. Ibid. 44–45; On the complexity involved in formulating mainland policy due to the rising influence of the DPP, also see Goldstein. 1999. 197–228.


42. Interview, July 1997, Taipei.
43. MAC. “Consensus Formed at the National Development Conference,” February 1997; Dai Shugeng “Pingxi Taiwan ‘guofahui’ jingji fazhan he liangan jingmao guanxi yiti” (An Analysis of the Topics at Taiwan’s National Development Conference over Economic Development and Cross-Strait Economic and Trade Relations), TYJ, No. 2, 1997. 49–56.


47. Ibid. 38.


52. ICG Asia Report, No. 53. 39.


57. Chu. 1999. 170; A political joke in Taiwan says that today the CCP is not like a communist party and the KMT is not like a nationalist party. Rather, the KMT is more of a K.M.T. with K standing for KMT, M for DPP (Min Jin Dang is the Chinese for DPP) and T for parties. Taiwan Tour, Summer 1997. There was constant contact between Lee and the DPP in the early 1990s over revision of the constitution. See China Times, online, October 26, 2003.

58. ICG Asia Report No. 53. 38.

59. Ibid. 2.


64. Dittmer. 2004. 480.

65. Most estimates put the total amount of Taiwanese investment in mainland China at more than US$100 billion.


68. Yang Shangkun. “Speech at the National Conference on Taiwan Affairs,” (December 6, 1990), in Kuo-Li-min. 1138.


70. Taiwan Tour, summer 1997.


78. Chen Wenhong and Zhu Wenhui. “Jintui liangnan: Taiwan dui dalu jingji guanxi de xin tezheng” (Taiwan’s Dilemma in its Economic Relations with the Mainland), Strategy and Management, No. 3, 1997. 53.


80. Goldstein., Ibid. 205; Zhang Guanhua et al. eds. 1993. Haixia liangan jingji maoyi touzi daquan (Guidebook to Cross-Strait Trade and Investment), Beijing: Dongfang Press, 637.

84. This information is based on my interviews on the mainland. This situation has created tremendous difficulties for the collection of micro-level data on Taiwanese investment on the mainland.
89. Su Chi. 3.
Notes


102. According to a poll by Pingguo Ribao in September, support for Lien Chan for president was 41% while that for Chen Shuibian was only 28.4%. Another poll by Lianhe Bao showed that satisfaction with the KMT was 49%, PFP 40% and DPP only 31%.


112. “Four stages” theory: the nation’s first stage was the establishment of the ROC in China in 1912. The second stage was when the ROC moved to Taiwan in 1949. The third stage was former President Lee Teng-hui’s formulation of “the ROC in Taiwan.” And the fourth stage is what Chen calls “the ROC is Taiwan.” “Bian: ROC is Taiwan,” China Times Evening News, online, August 2, 2005; “Chen Urges Unity to Deal with China,” Taipei Times, online, August 14, 2005.


3 Government Policies and Cross-Strait Trade and Investment


4. Li Fei. 1993. *Haixia liangan jingmao guanxi* (Economic and Trade Relations Across the Taiwan Strait), Beijing: Foreign Trade Education Press. 86.

5. Li Fei. Ibid. 141; Also Huang Tianzhong, (Taiwan) “On Cross-Strait Relations,” paper presented at the Third Conference on Cross-Strait Relations. Ningbo, August 2–6, 1993. 7.


8. MAC. Ibid. However, the balance sheet of cross-Strait trade might be more apparent than real. According to economist Li Fei of Xiamen University in mainland China, mainland China’s actual deficit in its bilateral trade with Taiwan was about 60% of what the statistics reveals because a large part of Taiwan’s exports to mainland China consists of equipment and other intermediate materials and inputs that were not actually paid for by the mainland side. According to one study by CIER, between 40% and 45% of Taiwan’s indirect exports to the mainland were “investment induced” (Chin Chung et al. 1993. “Impact of Mainland China’s Export Promotion Policy on Taiwan’s Trade Performance: Macro Perspectives and Sectoral Analysis,” Chung-Hua Institution for Economic Research). Also, by the end of 2004, accumulated Taiwanese investment on the mainland amounted to more than US$70 billion. Foreign currency earnings generated through exports of products made by Taiwanese firms on the mainland could balance out a large part of the deficits incurred by the import of equipment and intermediate inputs and materials from Taiwan. In addition, by the end of 2004, more than 33 million Taiwanese had visited the mainland, and foreign currency earnings from these tourists were considerable. Finally, by the end of 2004 Taiwanese individual remittances to mainland China amounted to more than US$8 billion. Taking these factors into account, the overall balance sheet of bilateral economic relations is less skewed than it appears statistically. See Li Fei. 1993. 121. Ceng Rouying and Liu Bohong. 1997. “A Study of Taiwan’s Overseas Investments and Division of Labor,” *Taiwan Economy*, No. 241, Taipei: 8; MAC. *Cross-Strait Economic Statistics Monthly*, No. 146, table 14.


21. Tianxia Magazine. (Taipei) No.148, September 1993. 36; also see Wei Min, “Laozi wenti shi yingxiang guonei touzi zui zhongyao de yinsu?” (Is Labor the Most Important Factor Hindering Domestic Investment?) Industrial Relations Monthly. (Taiwan), No. 143, March 1994. 36–48; on the other hand, according to Charles Kao’s study, labor costs on the mainland were only about 10% of those in Taiwan (Charles Kao, 1992. 112).

22. In 1987, Taiwan’s domestic investment rate in terms of GDP was 18.77% while its savings rate in terms of GDP was 40.31%; in 1988, the rates were 22.76% and 34.45%, respectively; in 1989, they were 22.8% and 30.6%; in 1990, 22.4% and 27.9%; in 1991, 23% and 28%; in 1992, 24.1% and 27.9%; in 1993, 24.8% and 27.8% and for 1994, 23.6% and 26.1%. See Asian Development Bank, Asian Development Prospect, 1992, and 1994 Report. Translated by Wang Muheng into Chinese in TYJ, No.1, 1993; and Nos. 3–4, 1995; Also see Deng Lijuan. “Taiwan touzi buzu yu zhi wailiu” (Taiwan’s Insufficient Investment and Capital Outflows), TYJ, No. 4, 1990. 52–60; Cao Xiaoheng, “Taiwan duiwai zhijie touzi de yuanyin” (Factors Driving Taiwanese Overseas Investments), TY, No. 4, 1993. 42–51.


29. See Zhang Guanghua. 1993. 638–642; Also, Ministry of Economic Affairs, Taipei. “Regulations over Investments to the Mainland,” June 3, 1997. By the end of 1994, only 2,637 products (out of a total customs list of more than 9,000 items) were permitted to be imported into Taiwan from the mainland. By the end of 1999, on the eve of WTO entry by both sides, only 5,640 out of 10,610 items (or 53.2%) were permitted. Even today, only 72.6% of products imported into Taiwan are open to the mainland market. *Lianhe Zaobao*, online, September 24, 2004.
34. According to Li Fei, although the government still maintains its ban on direct investments, more and more investments to the mainland are actually conducted in a direct fashion. In principle, investments below US$1 million are regarded as indirect so long as investors fill out the correct forms and send the money via a third location. Li Fei. 1993. 163.
37. Skanderup. 7.
41. According to a survey based on 153 Taiwanese DFI firms in 61 different industries, in 1990, 85–90% of the output produced in the mainland was shipped to a third market, about 6% was shipped back to Taiwan and less than 10% was retained for sale in the mainland. C.S. Ouyan,
42. Chin Chung. 1991. 35.
45. Xiangming Chen. 1994. 182.
48. See n.7. As aforementioned, according to mainland Ministry of Commerce, Taiwan’s trade surplus with the mainland in 2004 amounts to US$51.23 billion.
51. Xiangming Chen. 1994. 177.
56. International Daily News, December 13, 1998. However, according to a study by the Taiwan Comprehensive Research Council, a think tank run by KMT business interests, by early 1999 the total number of listed firms with investments on the mainland was 224. In the electronics sector alone, more than 52 listed firms had investments on the mainland. International Daily News, March 6, 1999.
57. “70% of Taiwan’s Listed Firms Have Invested in the Mainland,” Commercial Times, online, February 26, 2005.
60. Cai. 1996. 91–92.
61. “Local Purchases by Taiwanese Invested Firms Rise to 49.93%, More Than From Taiwan,” Commercial Times, online, February 26, 2005.

65. According to a MAC study in 2000, Taiwanese-invested firms now sell about 44% of their products to the local mainland market; see MAC study, October 16, 2000 at: http://china.management.org.tw/T&C-Economic/table/table-2.3.5.htm.


69. Laura Li and Jimmy Lin. 9.


74. Cai Hongming. 1996. 78.


77. There was a sharp decline in shipping volumes at Kaohsiung between 1994 and 1996 as a result of a continuing recession in the service sector. In its annual end-of-year survey on the economic prospects for the following year, *China Times* pollsters found more people (32.2%) who predicted the economy would get worse in 1997 than those (30.9%) who thought it would improve. This was the first time that pessimists outnumbered optimists since the survey began in 1992. *China Times*, January 7, 1997.


80. *Commercial Times*, online, October 10, 2003; *China Times*, online, October 9, 2003.


87. Skanderup. Ibid.

88. Ibid. 20.
Industrial Organization and Cross-Strait Economic Interactions


4. Most business groups in Taiwan prefer to establish new member companies rather than acquiring or merging existing ones to expand their business. This is reflected in the drastic changes in the number of member companies within individual groups. From 1972 to 1976, there were 65 groups with the same name, and between 1976 and 1982 there were 50 groups. During 1972–1976, the number of new companies amounted to 130 and only 21 groups did not increase their member companies. Two groups each added 10 companies during this period. From 1976 to 1982, the number of new companies in the 50 groups totaled 120. Given that many member companies folded during this period, these figures show that Taiwanese business groups adjust their activities through establishing new companies and/or closing existing ones, rather than through mergers and acquisitions as do their counterparts in Western industrial countries. In Chou Tien-chen. 1995. Industrial Organization in a Dichotomous Economy, Aldershot, England: Avebury. 211–212; also refer to M. A. Utton. 1979. Diversification and Competition. Cambridge: Cambridge University Press; Alfred D. Chandler. 1977. The Visible Hand: The Managerial Revolution in American Business, Cambridge: Belknap Press.


9. In 1979, an SME was defined as a business with a total capitalization of over NT$20 million (which by 1982 was increased to NT$40 million) and more than 300 employees in the manufacturing sector and over 50 employees in the commercial sector. According to the new criteria introduced in 1996, it is defined as having a total capitalization of over NT$60 million and employing more than 200 people in the manufacturing sector, and over NT$80 million and over 50 employees in the commercial sector. See Ministry of Economic Affairs (MOEA). SMEs White Book 1997, Taipei, ROC. 2–3,2–7; C.J. Lee et al. 1993. Zongti huanjing yu zhongxiao qiye zhi fazhan (SMEs: Overall Environment and Development), MOEA/ Chung-Hua Institution of Economic Research (CIER), series on SMEs, Nos.1, 43, 45–55; also Li-Wei Liu. 2000.

10. C. J. Lee. Ibid. 29, 81–83, 223; Huang Baokui. 1995. *Taiwan jinrong zongheng tan* (A Survey of Taiwan’s Financial System), Beijing: China Economic Press. 21. However, the importance of SMEs to Taiwan’s exports has been declining given the structural change of the economy that forced many SMEs to relocate to mainland China and ASEAN countries. For example, in 1995 and 1996, SMEs’ share of total exports was only 50.65% and 49.75%, respectively. This is partly because supplies of intermediate goods and services by big firms to SMEs, previously categorized as domestic trade, have now become exports as a result of the relocation of SMEs. See MOEA. SMEs White Book 1997, Taipei. 2.1; 2.7.


13. As S. Gordon Redding ably argues: “personalism is a response to the problem of establishing reliable horizontal relationships across social interactions in a context where trust cannot be assumed and where institutionalized law is inadequate for underpinning transactions with any sense of reliability. Transactions come to be guaranteed by bonds of interpersonal trust.” Redding, in Hamilton, ed.1996. 32. This echoes the New Institutionalist argument—see my chapter 1.


22. Kao Cheng-shu. “ ‘Personal Trust’ in the Large Businesses in Taiwan: A Traditional Foundation for Contemporary Economic Activities,” in Hamilton. 1996. 65–67; Chou. 1995, Industrial Organization. 83, 91. Interestingly, under totally different circumstances, despite the liberalization that has been in place since the late 1980s, the same conservative lending behavior and pervasive state regulations turned out to be a blessing to Taiwan in the late 1990s. While most of the East Asian economies were hit hard by a severe financial crisis, these retrograde factors help explain the limited impact of the crisis on the Taiwan economy and its continuing robust performance.


27. Since the energy crisis of 1973, the government has paid more attention to the problems of financing for SMEs and in 1977 it formed special SME banks. By 1986, there were eight SME banks altogether, of which one was state–owned, with a capitalization greater than the combined total of the seven private banks. However, in general, SMEs banks are undercapitalized. For example, during the three-year period 1987–1989, while SMEs banks allocated more than 70% of their loans to SMEs, this constituted less than 25% of the total bank loans to SMEs. While other banks allocated only about 30% of their loans to SMEs, that figure usually constitutes more than 75% of all loans to SMEs (Yang Ya-hui, “A Study of SMEs’ Financial System Notes 177
In addition to SME banks, an SME Credit Insurance Fund was set up by the government to provide credit insurance on loans to SMEs, and in 1990 this amounted to NT$1 billion. From 1974 to 1985, the fund provided credit insurance for more than 42,000 SMEs, with an insured amount of loans up to NT$313.2 billion. Though this scheme alleviated the credit shortage for SMEs somewhat, the scale of its operations still fell short of the financial needs of SMEs, and to date only 10.4% of all SME financing is covered under this scheme (Huang Baoqui, 1995. 56–74; Liu Jinqing. Ibid. 89–90).


33. Tu I-Ching. “Family Enterprises in Taiwan,” in Hamilton, ed. 1991.124; also Kao Cheng-shu. 1996. 67; Chen Jiexuan. 1994. Kao, Tu, Chen, and Lin are affiliated with the East Asian Socioeconomic Development Research Center at Donghai University, Taiwan. They are all part of the research team investigating Taiwan’s business groups and SMEs under the directorship of Kao Cheng-shu.


36. See Christina Y. Liu. “Liberalization and Globalization of the Financial Market,” in N.T.Wang. 1992. 123–149; Huang. 1995. 285–323. From my interviews in Taiwan with officials from the Government Information Agency and the Mainland Affairs Council, a consensus emerged that, as a result of financial liberalization, government restrictions over capital flows to the mainland would not work. Branches of foreign banks located in Taiwan and Hong Kong have also played an important role in providing financial services for cross-Strait business transactions. For example, the Hong Kong–Shanghai Bank and the Leon Bank of France have branches in both Taipei and Xiamen. See Wu Yingcun, “Yazhou xin jingji zhengduo zhanqi” (A New Round of Economic Competition in Asia), Tianxia Magazine, June 1, 1997. 88–96.

37. Lei Wenping. “Shilun Taiwan ‘hehui’ zai liangan jingmao jiaowang zhong de zuoyong” (Taiwan’s ‘He Hui’ in Cross-Strait Trade and Investments), TY, No.4, 1995. 47–52; Kao Cheng-shu. 1996. 66–67; Li Fei. 1994. Haixia liangan jingmao guanxi (Economic and Trade Relations across the Taiwan Strait), Beijing: Foreign Trade Education Press. Even in 1999, forty-one people from Taiwan and Hong Kong were charged in Taipei for illegally channeling funds across the Taiwan Strait, involving a total of NT$14 billion. Commercial Times, online, March 11, 1999.


39. Charles Kao et al.1995. Taishan jingyan: Touzi dalu de xianchang baodao (The Taiwanese Investment Experience in Mainland China: A First-hand Report). Taipei: Tianxia Culture Press. 86–93; 112–118; These arrangements match the satellite assembly systems (weixing gongchang) described by Gary Hamilton. Under one manifestation of this system, a group of
independently owned firms join together to produce a product that has been ordered either by an overseas buyer or a large final manufacturer. Each firm will produce one part or set of parts of the final product, and these parts are then delivered to an assembly firm which is usually a larger concern. In another manifestation of this system, the parts producers are larger than the final assembler. The bicycle industry is more like the former, while the electronics/computer industry better fits the latter model. Hamilton. 1997. 284–285. For Changzhou Kymco, see Jiangsu Yearbook, 1996. 189.

40. According to one survey, the costs of production on the mainland are 30% to 50% lower in the electronics/computer industry than in Taiwan. “Move by the Electronic Industry to the Mainland Can No Longer be Stopped,” Commercial Times, online, April 15, 1999; Zhu Yan, “Taiwan zixun chanye zai zhongguo dalu de chanye jijiedi” (The Clusters of Taiwanese Electronic Firms in mainland China), TYJ, No.1, 2002. 63–64.


46. Ibid.


51. China Times, January 21, 1999. In May 1998, the Ding Xin Group acquired 35% (with the support of its guanxi firms, more than 50%) of the shares of the Wei Chuan Group, resulting in a change of management from the Huang family, the original owners, to the Wei family. Commercial Times, online, June 16, 1999.

52. Kao is also the president of Taiwan’s National Federation of Industry (NFI), a member of the standing committee of the ruling KMT in Taiwan, and a trustee of Taipei’s Straits Exchange Foundation (SEF). As a result of these links, he has access to the top leadership in Beijing.


55. International Daily News, December 13, 1998. However, according to a study by the Taiwan Comprehensive Research Council, a think tank run by KMT business interests, by early 1999 the total number of listed firms with investments on the mainland was 224. In the electronics sector alone, more than 52 listed firms had investments on the mainland. International Daily News, March 6, 1999.
56. “70% of Taiwan’s Listed Firms Have Invested in the Mainland,” Commercial Times, online, February 26, 2005.


60. Laura Li and Jimmy Lin. “Shanghai or Bust,” ibid.


62. The most well known of these holding firms are the Hong Kong Hua Long Groups, President Corp. Hong Kong, Nan Ya Plastics, Hong Kong, the He Xin Groups and the Run Tai Group. See Li Fei. 1993. Haixia liangan jingmao guanxi (Economic and Trade Relations across the Taiwan Strait), Beijing: Foreign Trade Education Press. 164–165;

63. Guo Tingyi. 1996. 75; According to China Golden Coast Yearbook, investment from the U.K. averages US$4.89 million per project, the highest figure of all foreign investment in China, while Taiwanese investment on the mainland averages only US$879,000 per project. Quoted from Fu Yuneng. 1997. Taishang zai dalu touzi de quyu yanjiu: yi Guangxi wei gean (A Regional Study of Taiwanese Investments in Mainland China: the Case of Guangxi), unpublished Ph.D. dissertation, Institute of Taiwan Studies, Nanjing University. 26.


67. See Cai Hongming. 1996. 7. These Taiwanese business groups include the President Enterprises Corp., Dacheng Great Wall, Jiu Jin, Gui Ge, Li Da, Qi Mei, and You Mei Furniture.


70. Material from the Taiwan Affairs Office, Jiangsu Province.


72. Bruce Gilley. Ibid.. While banks and insurance companies are still prohibited from setting up fully fledged branches in the mainland, they are now allowed to establish representative offices. By the end of 2003, seven Taiwanese banks had set up representative offices in the mainland located in Shanghai, Beijing, Shenzhen, and Kunshan. Commercial Times, November 5, 2003.


76. Laura Li and Jimmy Lin. “Shanghai or Bust.” 31.
79. On Zhangzhou power plant, see page 108,109 of this chapter. The project initially required a total investment of US$3.4 billion, the combined resources of Formosa’s three related companies, Formosa Plastics, Taiwan Chemicals and Nan Ya Plastics, could put together only US$700 million. The rest has either to be raised from the capital market or borrowed as bank loans. Given the government ban on the use of funds raised from these sources for investment in the mainland, Formosa Plastics was forced to give up the deal. Because of this, Lee Teng-hui singled out Formosa Plastics in announcement of the “don’t rush, be patient” policy. He said, “Formosa Plastics had already borrowed more than NT$200 billion from banks in Taiwan. If such sums were to go on investment in the mainland, he asked, what would become of Taiwan?” World Journal, online, January 16, 1998.2; International Daily News, online, August 22, 1998. My interviews with government officials in Taiwan confirmed the government’s deep concern over the transfer of public funds raised in Taiwan for use in mainland projects.
83. Laura Li and Jimmy Li. Ibid.
85. Commercial Times, online, November 11, 29, 2000; World Journal, online, October 15, 25, 27, 29, 2000; Ming Pao, (Hong Kong), October 30, 2000; China Times, online, October 27, 2000.
Notes


105. Ibid.

5 Taiwanese Investors and Local Government in Mainland China


11. Shirk. Ibid. 4–47.


16. This has been mocked as the “model of two pi” (the Guangdong model of development) namely, lips (zui pi) and land (di pi). Local governments achieve crude capital accumulation by selling or leasing land to foreign investors and then using the money to build up infrastructure to attract more investors.


The term refers to joint ventures (JVEs), cooperative enterprises (COEs) and sole foreign investment enterprises (SFIEs), an expression also sometimes translated as “foreign enterprises.”

21. Foreign direct investment flows have increased in part because of the phenomenon of recycled capital of Chinese origin. Given the special tax and other incentives provided to foreign-invested firms, local governments and local firms move money off-shore and then recycle it back into China disguised as “foreign investment.” Since most provincial and municipal governments run firms in Hong Kong and other outside locations, information about the extent of such practices is hard to obtain. My own contacts with the business community and my interviews on the mainland confirm that this is a serious problem. The World Bank has estimated that these sources comprised as much as 25% of gross investment inflows in 1992. (Lardy. 1995. 1067; Shirk. 1994. 47; my interviews in Henna, September 1997); Even the official media has openly condemned the “large number” of such “sham businesses.” See Sabin. 1994. 957. One Western source has gone so far as to claim that two-thirds of current foreign investment in
China may actually originate from within the country itself (see Sheryl WuDunn. “Booming China is Dream Market of West,” The New York Times, February 15, 1993. 6).


23. Chu Baolan and Dong Weiyuan. 1993. Taiwan tongbao dao dalu touzi zhinan (Mainland Investment Guide for Taiwanese Investors), Beijing: China Economic Press. 12. The 1994 tax reform leveled off tax rates for domestic firms to 33% in a new–value-added tax. For the wildly varying character of these preferential treatments at the local level, see chapter 3 on local government policies on Taiwanese investement.


28. See n.12.


32. My interview with an official from the local Taiwan Affairs Office, Nanjing, August 1997.


35. Xiamen Daily, October 31, 1997. 11.


38. Hsing. Ibid.


41. The difference between the Southern Jiangsu model of “getting rich collectively” and the more laissez-faire Zhujiang model can be seen simply by taking a train ride between Shenzhen and Guangzhou and between Shanghai and Nanjing. In southern Guangdong, one often sees a few grand houses surrounded by a scattering of dilapidated housing. In southern Jiangsu by contrast, rows of almost identical two-story houses line clean streets in the townships and villages. While the area between Shenzhen and Guangzhou is dotted with foreign-invested firms in leased factories, what dominates the economic landscape in southern Jiangsu are the tens of thousands of TVEs. See Gu Songnian, “Sunan moshi‘de zhengyi he butong moshi guan” (Sunan Model: Debate and Different Perspectives), Zhou Chunping, “Sunan moshi yu Wenzhou moshi de
There is tremendous confusion and inconsistency in the statistics reported by the yearbooks. In the Jiangsu Yearbook 1997, the value of TVEs’ output in 1996 was calculated in 1990 prices, while the provincial GDP for that year was calculated at current 1996 prices. But in the Jiangsu Yearbook 2002, while it is claimed that the total value of the TVEs’ output was calculated in 2001 prices, this figure is much greater than the total value of the provincial GDP which is also calculated in 2001 prices.


47. By the end of 1994, these development zones had attracted more than 2,705 foreign firms, accounting for 10.6% of the total number of foreign firms in the province. Contracted foreign investment was US$7.91 billion, 28.4% of the total foreign investment in Jiangsu. Realized foreign investment in these zones was US$2.39 billion, accounting for 25.6% of the provincial total. (See Jiangsu Investment Guide. Ibid., 59; Jiangsu Yearbook, various issues.) The average size of foreign investments in these zones is larger than the provincial average. Also refer to Cheng Jiming, ed. 1996. Dongya jingji yu Jiangsu jingji bijiao yanjiu” (A Comparative Study of the Economy of Eastern Asia and Jiangsu in China), Nanjing: Jiangsu People’s Press. 111.

48. See n.13.


50. The table includes statistics from both the Jiangsu Taiwan Affairs Office (in parentheses) and the Jiangsu Foreign Economic and Trade Commission. Figures from the former are sporadic before 1997, while statistics from the latter are inconsistent from 1997. These statistics are supplemented by data from a report by the Jiangsu Taiwan Affairs Office, “Report on Taiwanese Invested Firms in Jiangsu Province,” July 1997.


57. Sang Dengping (of Jiangsu Provincial Taiwan Affairs Office). “Jiangsu yu Taiwan jingmao hezuo de yiyi, xianzhu, chengyin he qushi” (Economic and Trade Cooperation Between Jiangsu and Taiwan: Implication, Current Situation and Trend), paper presented at the Conference on Cross-Strait Economic and Trade Relations, Nanjing 1997. 3; Songping Zhang. Ibid.


60. Ibid.; and my visit to the Nanjing Golden Autumn Trade and Investment Festival, 1997.

61. According to statistics issued by Taiwan’s Ministry of Economic Affairs, by the end of 2002 there were 7,133 Taiwanese-invested firms in Jiangsu, with a total investment of US$10.484 billion.


63. The year 1993 was one in which Taiwan’s big business groups began their large-scale march to the mainland. Given government restrictions and the need for sharing investment risks, these big business groups have often registered in a third country that has investment guarantees with mainland China, or simply teamed up with foreign MNCs on their march to the mainland. While this may reflect a declining amount of investment from Taiwan, the true picture could be quite different. For example, the Roma Ceramic Tile Company in Nanjing, with an investment of US$45 million, is registered as a solely owned American firm although the investment capital, management team, and equipment all came from Taiwan (source: personal interview in Nanjing).


69. Jiangsu Yearbook, various issues; Cheng Jiming. 1996. 108, and Songping Zhang. 2003. 113. However, the precise number of wholly-owned Taiwanese-invested firms in both Jiangsu and Suzhou, and their ratio of exports, is not available.


72. For the financial sources of TVEs, see Xu Zhiming and Zhang Jianlang, “Xiangzhen qiye zijin de gaosu cengzhang ji xiaoyi xialhua” (TVEs: Rapidly Rising Investment Funds and Declining Profit Margins: An Empirical Analysis of the TVEs in Suzhou, Jiangsu Province), Zhongguo nongceu jingji (Chinese Rural Economy), No.3, 1997. 5–58; Yuan Jieping and Wang Rong. “Sunan xiangzhen gongye jingzheng li xianzhuang, yingxiang ji tisheng duice” (TVEs in South Jiangsu: Competitiveness, Causes and Strategies for Upgrading), Zhongguo nongceu jingji (Chinese Rural Economy), No. 10, 2002. 50–51. For a comparison with Taiwan’s SMEs, see chapter 4 of this book.

6 Conclusion

5. McMillan. 41.
9. Ibid.
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