Understanding China

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Chinese Global Production Networks in ASEAN

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Tai-shang (Taiwan Business) in Southeast Asia: Profile and Issues

Alan Hao Yang and Hsin-Huang Michael Hsiao

1 Introduction

The rise of global capitalism has altered the geopolitical and geo-economic landscapes of nation-states by reshaping the role of transnational actors and enhancing their functions. Much has been discussed on the emerging international connectedness endorsed by the transnational actors and their networks. For example, the making of *transnational network of advocacy* highlights the global concerns of human rights, social equality, and environmental sustainability endorsed by global civil societies and international nongovernmental groups (Rodrigues and Moog 2004; Avant et al. 2010). The *transnational network of mobility* nourished by immigrants enriches the people-centered connectedness between their mother countries and host societies (Geiger and Pécoud 2013; Biao et al. 2013). Nevertheless, this chapter is more interested in a third type of network, *the transnational network of profit*, shaped by private sectors. It is a transnational economic cluster intensifying the distribution of labor in global production network, fulfilling the needs of global commodity supply chain, and accumulating the transnational capitals of private sectors in terms of political and economic influence.

By discussing the *transnational network of profit* with a specific focus on the role of the overseas Taiwan business in Southeast Asia, it argues that the global rise of overseas Taiwan business, also known by the name *Tai-shang*, has at least three contributions in the invested countries, that is, the industrial internationalization, capital trans-nationalization, and the facilitation of business and investment

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networks at localities. In effect, *Tai-shang*'s rising in Southeast Asia is specifically embedded in the intertwined effect from the abovementioned contributions. They cast both economic and political influences in Southeast Asian countries.

First, in respect of industrial internationalization, any domestic industrial sector can no longer maintain autarkic when facing the acceleration of globalization and of regional integration. Consequently, it is "embedded in" the supply chain of global production network. For specific labor-intensive industries such as manufacturing and textiles products, the practice of "internationalization" is a way to maintain competitiveness among others. It is aimed at reducing the cost of production through seeking low cost of raw materials and overseas production bases featured with abundant resources or low-salary employment (McBeath 1999: 106). In this regard, overseas businessmen hence serve as media to push domestic industries outside their home countries.

Second, as for capital trans-nationalization, overseas business communities facilitate the development of bilateral/multilateral trade and investment, bringing external resources to domestic industries. This process implies two flows: to the investing countries, the exploration of overseas business network diversifies the international market while reducing the costs of raw materials and labors for their domestic headquarters; to the invested countries, foreign investors may inject international capitals, encourages new technological incorporation, creat employment opporunities and human capitals—those imported fiscal and human capitals as well as technological spillovers, moreover, contribute to local economic growth (Kotrajaras et al. 2011: 184).

Third, with the investment from overseas businessmen, it is plausible to help connect transnational business network bilaterally and regionally. By creating new production supply chain, ethnic business unions, and even the political-business ties, these transnational economic actors do not only operate lucrative activities but also act as interest groups to generate socioeconomic capacity to influence the government of host countries. Take China for example. Over the past years, China's outbound investment has hit the record high, ranking as the third leading investor throughout the world (Pitlo 2015). Its state-owned enterprises (SOEs) *per se* as major contributors to critical infrastructures and public construction projects are not only seeking for economic benefits but working as the government outreach indirectly engaging in promoting bilateral political relations. Even those local SOEs with abundant resources enjoy more flexibility in pursuing international venturing with local companies and firms (Li et al. 2014: 996). Unlike these SOEs, small and medium enterprises (SMEs), though not directly supported by the government from mother countries, mostly have profound influence over the general public of the host countries.

For decades, the economic development in Southeast Asia has been shaped by enterprises from its Northeast Asian counterparts (Machado 2003; Harwit 2013). Up to the present, China's business seems to exercise preponderant influence in Southeast Asia (Suryadinata 2006, 2007; Lee 2014). China dispatches its SOEs to Southeast Asia, allowing these economic outreaches to execute its "Going Out Strategy" in deepening business networks at localities. For years, these Chinese enterprises have intensively collaborated with Southeast Asian governments by investing in critical infrastructure such as railroads, highways, dams, and hydropower plants. In additions, these government-supported business groups actively interact with local overseas Chinese for the purpose of amplifying the profits.

Prior to the rise of Chinese SOEs in the region, the overseas Taiwan business (*Tai-shang*) appeared in Southeast Asia during the 1970s and 1980s, as the Taiwanese economy grew with fast speed, spilling its economic influence over neighborhood countries. People often attribute overseas Taiwan business in the same category of those from China; nevertheless, we argue that the two groups have a distinct culture, identity, acumen, and strategy.

Tai-shang earned full international attention during the anti-China demonstration in Vietnam on May 13, 2014 (known as the 513 incident). Under the authoritarian regime, organizing large-scale riot against foreign enterprises is rare in Vietnam. During the 513 incident, *Tai-shang* became a target of Vietnamese mobs; according to some international news reports, the Vietnamese demonstrators confused the Taiwanese enterprises with the Chinese ones, as both of their brands are marked in Chinese (Yu 2014). However, this explanation is not pertinent for the Vietnamese society has been acquainted with *Tai-shang* for decades. We argue that *Tai-shang* were served as scapegoats during the 513 anti-China riot due to the evasion of the Vietnamese government to directly challenge Beijing. Consequently, this incident again gave rise to the international concern on the contribution of *Tai-shang* in the region as well as its distinction from China.

Accordingly, this chapter sheds light on the presence of *Tai-shang* in Southeast Asia via four parts. The first part distinguishes China business and Taiwan business. The second part deals with incentives of Taiwanese investment in Southeast Asia. Then, this chapter will discuss the role of *Tai-shang* in regional integration of Southeast Asia. It proceeds to the survey of national profiles of Taiwan business in the region. Finally, the conclusion sums up the discussions by evaluating the contributions of and challenges facing Taiwan business in the region.

2 Comparing China and Taiwan Business in Southeast Asia

Historically, the ethnic Chinese businessmen have long been regarded as the leading player in shaping Asia's internal economic networks and trade links (Ptak 1999, 2004; Souza 2014). Even today, overseas Chinese are still dominant in economic and development agenda in most Southeast Asian countries based upon the individual family-based enterprises and related Chinese business networks (Folk and Jomo 2003: 3). The People's Republic of China's rising further consolidates this phenomenon as there are more and more businesses dispatching from China to Southeast Asia. Increasing amount of Sino–Southeast Asian trade from USD20 billion of 1995 to USD480.39 billion of 2013 justifies the upgrading relation from "the golden decade" (黃金十年) to "the diamond decade" (鑽石十年), a term invented by the Chinese Premier Li Keqiang in 2013 (ASEAN-China Center 2015).

Table 1 Chinese FDI in ASEAN countries: a comparison (USD millions)

	2003	2013
Brunei	0.1	72
Cambodia	59	2849
Indonesia	54	4657
Malaysia	101	1668
Myanmar	10	3570
Laos	9	2771
Singapore	165	14751
Thailand	151	2472
The Philippines	9	692
Vietnam	29	1267
Total	587.1	34769

Source: Salidjanova et al. (2015: 7)

Such an acceleration can be regarded as the fast-growing influence of the Chinese government and its business in the region.

In 2014, China's foreign exchange reserve has reached USD4.06 trillion, which puts China on the top of the world ranking. Meanwhile, China's business continues to seek collaborations worldwide by promoting its state capitalism overseas. One may find the domestic configuration of state capitalism, known as a solid alliance between the Chinese government and its SOEs, operating in line with rent-seeking modalities. The foreign investment pattern of China is also duplicating this "China Model" (中國模式) to consolidate the alliance between the Chinese government and its overseas business groups shown as the complex of wealth and power (Callahan 2013: 66–97). Moreover, China's businesses, most of which are SOEs, are the overseas outreaches of Beijing's "Going Out Strategy" by dedicating themselves in investing in its neighbors and beyond (Shambaugh 2013: 174–175). In 2003, the amount of Chinese FDI in ASEAN countries is USD587.1 million, while in 2013, the amount had exceeded to USD34 billion (Table 1).

Beijing has been actively engaging in global merger and acquisition (M&A) for years, targeting at grasping natural resources and technology-intensive industries (Pitlo 2015). For instance, China business exerts political and economic influences in Southeast Asian countries by purchasing or merging companies, allying with local governments, or by monopolizing scarce resources such as potassium salt mine in Thailand and copper in Myanmar. In other words, China's businessmen do not only pursue economic profits but also undertake strategic mission on behalf of their government. They become policy instruments to either strengthen national competitiveness or secure significant resources overseas (Li et al. 2014: 989).

Different to overseas China business, the overseas Taiwan business (*Tai-shang*) manifests very different dynamics. *Tai-shang* went abroad for investment in the early 1970s and 1980s, most of which were original equipment manufacturer (OEM). Being the ruling regime of Taiwan, Kuomintang (KMT) inherited monopolistic industries from Japanese colonialism. Those colonial legacies, including finance, energy, communication, and transportation sectors, were mostly transfused to KMT-led SOEs. *Tai-shang* were pressed by the expensive costs of production following the government's lift of control over foreign exchange and the country's fast-growing economy. They were also pushed by the rising domestic wage rate due to a significant appreciation of the New Taiwan Dollar (NTD) (McBeath 1999: 107). Those first to move outside the country were "declining industries" (夕陽產業) since they encountered the most challenges brought about by domestic social economic structure centralized by KMT.

Consequently, cheap costs of production and low wage in Southeast Asia caught the attention of *Tai-shang*. Once settled, Taiwan business invested and manufactured products made of textile, timber, metal, and electrics before exporting the products to the West and other countries. In the 1970s and 1980s, these SMEs did not benefit financial support from the Taiwanese government, nor did they have well-structured institution and fiscal capacity as large corporations. However, it was common to see some Taiwan business setting up branches illegally in Southeast Asia without the Taiwanese government's permission (Interview 2015a). By all means, these Taiwanese SMEs were so mobile and independent that they succeeded to adapt themselves in Southeast Asia and generally entertain good ties with the local governments (Interview 2012).

The "Go South Policy" (南向政策) was implemented by KMT regime under President Lee Teng-hui in 1994. It was a policy aiming to counterbalance Taiwan over investment in China. Since its "reform and opening" (改革開放) policy of 1978, China has been pushing for economic growth, making its market attractive to foreign investment. Initially, *Tai-shang* followed this trend and has enjoyed the advantages of culture and language affinity comparing to other foreign investors. However, the political tension between Taiwan and China also perpetuated. President Lee Teng-hui hence exhorted *Tai-shang* to shift their attentions and interest to Southeast Asia in order to neutralize the "magnet effect" (磁吸效應) of the Chinese economy to avoid over economic dependence of Taiwan.

It is also true that this "Go South Policy" was embedded with political implication—boosting Taiwan–Southeast Asian relations in order to break through Taiwan's diplomatic deadlock. Therefore, the Policy was regarded as the government push for KMT-led SOEs and private business to seek investment projects in Southeast Asia, for example, Taiwan Salt Corporation, known as Taiyen, was pushed by the Ministry of Economic Affairs to collaborate with Indonesian counterparts and CPC Corporation to explore oil and gas projects in Indonesia, while Taiwan Sugar Corporation was persuaded to facilitate bilateral cooperation on sugar production in Vietnam (Hsiao and Kung 2002: 18). These governmental facilitations are rather strategic and political oriented, resulting in thousands of Taiwan business, most of which are SMEs, to invest in Southeast Asia.

3 Why Investing Southeast Asia?

From the perspective of geopolitics and geo-economics, the rise of *Tai-shang* in Southeast Asia reflects its strategic preferences. First, in terms of geography, Taiwan is relatively close to Southeast Asia, or we should say, located in Southeast

Asia. This geographical advantage facilitates the mobility of people between two sides. It takes less than 5 hours for *Tai-shang* to fly to any capital cities in Southeast Asian countries from Taipei and then access to specific economic zone nearby. Moreover, it takes only a few hours for *Tai-shang* in Southeast Asia to connect to neighboring countries, including China.

In terms of culture, Southeast Asian countries such as Thailand, Vietnam, and Singapore have long been influenced by Confucianism. This cultural affinity may reduce the gap between Taiwan business and Southeast Asian counterparts. It is easy for *Tai-shang* in Southeast Asia to adapt to local societies than those in Latin America and the United States. Even to Muslim countries such as Indonesia and Malaysia, local societies are familiar with Chinese culture thanks to the presence of early ethnic Chinese immigrants and overseas Chinese businessmen, as "intermediaries" (McBeath 1999: 123), providing a rather friendly environment for *Tai-shang*.

In effect, the key reason for private entrepreneurs of choosing Southeast Asia as destination of investment is still economic. Taiwan business was attracted by rich resources and abundant young labors with low salaries in Indonesia, Malaysia, and Thailand. Since most of SMEs in Taiwan were labor-intensive and export-oriented industries, Southeast Asia was of specific incentive for *Tai-shang*.

Finally, all Southeast Asian countries have experienced state-building processes. While striving for independence and national development, most of the new regimes were in need of foreign investments and economic inputs from major economies for the purpose of boosting economic growth and legitimizing their ruling. As a result, central and local elites in Southeast Asian countries mostly supported *Tai-shang*'s presence in their national economic agenda (Interview 2012; 2015a). This enabled Taiwan to surpass NIEs, such as Hong Kong, South Korea, Singapore, when it comes to foreign investment in Southeast Asia.

All of the above reasons had stimulated many Taiwan businesses, the SMEs, to strategically move to Southeast Asia as early as the 1970s. To cope with regional and national dynamics in Southeast Asia, there was a second wave of investment in Southeast Asia. The SOEs and KMT-led corporation adopted new strategies that have paid more attention to local and regional markets, instead of emphasizing purely on export. Indeed, the integration progress of Association of Southeast Asian Nations (ASEAN) was equivalent to a market of 560 million people, providing more incentives for *Tai-shang*.

4 The Rise of *Tai-shang* in ASEAN Economic Integration

The rise of *Tai-shang* corresponds to the process of economic integration in contemporary Southeast Asia. As ASEAN was established in 1967, this intergovernmental organization was aimed at promoting multilateral collaboration in economic development and sociocultural exchanges. Nonetheless, the lack of mutual trust hindered its member states from implementing joint economic undertakings (Ba 2009). Until the 1970s, as ASEAN members agreed upon ASEAN Industrial Project (1976) and ASEAN Preferential Trading Arrangement (1977), a gradual progress of economic integration had begun to commence. The presence of *Tai-shang* in ASEAN industries was mostly investing in food manufacturing and textile mills with specific focus on raw materials at localities.

In 1981, the ASEAN Industrial Complementation Scheme was declared. The industrial development became the key to economic growth to the region. The 1980s had also marked an era of domestic economic reforms among major Southeast Asian countries. Policy reforms and industrial projects promoted by governments in Malaysia, Indonesia, Singapore, Thailand, and Vietnam were targeting at attracting more foreign direct investments (FDIs), further triggering domestic and regional growth. Meanwhile, the rise of environmental awareness as well as the increase of wage in Taiwan became the domestic push for *Tai-shang* to seek overseas production bases in the region. Increasing number of Taiwanese SMEs moved to Southeast Asia, mostly in Indonesia, Malaysia, Thailand, and the Philippines.

It was the promotion of free trade agenda, such as Common Effective Preferential Tariffs (CEPT) and the making of ASEAN Free Trade Agreement (AFTA), which speeded up ASEAN economic integration in the 1990s. As clearly stated in ASEAN Vision 2020, ASEAN countries determined to (1) fully implement the AFTA and accelerate liberalization of trade in services, (2) realize the ASEAN Investment Area (AIA) and promote free investment flows, (3) intensify and expand subregional cooperation in existing and new subregional growth areas, (4) further consolidate and expand extra-ASEAN regional linkages for mutual benefit and cooperate to strengthen the multilateral trading system, and (5) reinforce the role of the business sector as the engine of growth (ASEAN 1997). The new roadmap of Southeast Asian integration revealed an urgent need for external supports in terms of economic and investment inputs.

Against the backdrop, the KMT government in Taiwan began to advocate "Go South Policy" in the beginning of the 1990s. The Policy encouraged *Tai-shang* to invest in Southeast Asia, the political purpose of which was to counterbalance the increasing investment flows toward China. The first term of "Go South Policy" was drafted as "the Guideline on Enhancing Economic and Trade Relations with Southeast Asia" (加強對東南亞地區經貿工作綱領) which commenced in March 1994 and ended in December 1996. Brunei Darussalam, Indonesia, Malaysia, Singapore, Thailand, the Philippines, and Vietnam were the geographic foci. An expanded version had been advocated later in 1997 as "the Guideline on Enhancing Economic and Trade Relations with Southeast Asia, Australia, and New Zealand" (加強對東南亞及紐澳地區經貿工作綱領) with the full coverage of all Southeast Asian countries. As Asian financial crisis hit the region, Taiwan immediately supported a sub-regional proposal initiated by the Asian Development Bank and regional countries such as Japan and Singapore to provide necessary short-term currency and exchange assistance to Southeast Asian countries (McBeath 1999: 124). In 1998, Taipei announced a follow-up policy of "Concrete Measures on Plan of Action of Enhancing Southeast Asian Economic and Trade Cooperation" (加強推動東南亞經貿行動方案具體措施), showing its political will to engage AFTA as well as the contenious governmental support to *Tai-shang* in Southeast Asia. During 1993–2000, Taiwan business investment in Southeast Asia has exceeded USD44.8 billion with the average annual growth rate of 53.5 % (Ministry of Economic Affairs 2001: 4).

When it came to 2003, the proposal of ASEAN Community envisaged by the Bali Concord II was adopted. A new vision of ASEAN Economic Community (AEC) aimed to transform Southeast Asia into a single market and integrated production base. The construction of AEC, for sure, is simultaneously embedded in the global free trade networks as well as in the regional dependency politics on China's rising. China–ASEAN Free Trade Area (CAFTA), Regional Comprehensive Economic Partnership (RCEP), and the gradual realization of the Master Plan of ASEAN Connectivity later in 2010 facilitate a further constructed and interconnected Southeast Asia.

However, it is also true that Taiwan has been excluded from these active promotion of regional and bilateral FTA by ASEAN and regional powers such as China, Japan, and Korea. These intricate FTA network and business links will seriously disadvantage and challenge Tai-Shang due to higher import tariffs and market barriers (Zhao 2011: 48). In this regard, Taipei turns to enhance its policy to seek for opportunities of signing economic cooperation agreement (ECA) with neighboring countries by activating joint feasibility studies with ASEAN counterparts such as Indonesia, Malaysia, Thailand, the Philippines, and Vietnam. "Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Partnership (ASTEP)" signed in November 2013 is one of the achievement between Taiwan and Singapore. It is believed that by pushing bilateral ECA with Southeast Asian counterparts, *Tai-shang* would be expecting to accelerate its integration in line with AEC and regional FTA networks.

5 *Tai-shang* in Southeast Asia: National Profiles

During the past decades, Taiwan business pays much attention to Indonesia, Malaysia, Singapore, and Thailand, but less focus on those Indochinese countries such as Cambodia, Laos, and Myanmar due to their domestic political instability. The general investment pattern of *Tai-shang* is to establish production base at Southeast Asian countries, import machine components from Taiwan to the invested countries, and manufacture final products at localities, and then export to the United States, European countries as well as Taiwan (Yeh and Huang 2015: 313). As ASEAN is rising as a single market, local Taiwanese investment has been shifted from export orientation to fulfill the domestic market and intra-regional needs.

There is no official statistics on the number of Taiwan business in Southeast Asian countries due to some enterprises are registered as local companies but owned by Tai-shang. According to various sources of Taiwan's Ministry of Economic Affairs and our fieldworks and interviews with Taiwanese business groups in Vietnam (Interview 2015b), Malaysia (Interview 2015a), Laos (Interview 2013), Cambodia (Interview 2012), and Thailand (Interview 2015c), it is estimated that there are 5000 Taiwan companies in Thailand, 4000 in Vietnam, 2000 in Indonesia, and 1800 in Malaysia, while there are only 20 in Brunei (Table 2).

Table 2 *Tai-shang* in key ASEAN countries

	Numbers
Brunei	20
Cambodia	300
Indonesia	2000
Laos	100
Malaysia	1800
Singapore	200
Thailand	5000
The Philippines	300
Vietnam	4000
Myanmar	200

Source: various sources

Table 3 Taiwanese FDI in ASEAN countries (1952–2013) (USD billions)

	Amount	Percentage
Cambodia	10.2	1.2
Indonesia	153.6	18.9
Malaysia	116.1	14.2
Singapore	106.1	13
Thailand	134.5	16.5
The Philippines	20.9	2.5
Vietnam	272.5	33.5

Source: Ministry of Economic Affairs (R.O.C.) (2014: 3)

Regarding the investment volume, Table 3 shows from 1952 to 2013, Vietnam prioritized No. 1 in Taiwan's FDI in Southeast Asia with the amount of USD272.5 billion as 33.5 % of Taiwan's investment in Southeast Asia. Indonesia came the second with the amount of USD153.6 billion as 18.9 %. Then, Thailand was in the third place with USD134.5 billion as 16.5 % (Table 3).

The year of 2000 witnessed domestic regime change in Taiwan as KMT government was replaced by the Democratic Progressive Party (DPP). As President Chen Shui-bian came into power, strategic focus of "Go South Policy" had been directed to tackle with challenges of Taiwanese investment in Southeast Asia with special focus on ICT and textile mill industries. DPP government re-announced Indonesia, Malaysia, Singapore, the Philippines, and Vietnam as key countries for Taiwan's investment. Clearly, the new waves of "Go South Policy" was designed to counterbalance Taiwanese increasing investment in China. By pushing China Steel, Formosa Plastics Group, Uni-President and Pou Chen Group to Vietnam, Taiwanese government desired to constructively engage Southeast Asian markets and governments. While KMT reclaimed power in 2008, Southeast Asia was still of strategic interest to Taiwan, with more focus on promoting ECA with regional counterparts. Since 2000, *Tai-shang* significantly modified its investment strategies; Vietnam became the most favored investment destination of Taiwan business, followed by Singapore and Thailand. Also, there are increasing investment projects in Indochinese countries, especially Myanmar. The following discussion surveys national profiles of *Tai-shang* in Indonesia, Thailand, Malaysia, Vietnam, the

Philippines, Singapore, Cambodia, and Myanmar, based on trade and investment statistics of Taiwan's Ministry of Economic Affairs and the authors' interviews.

5.1 Indonesia

Interestingly, the year of 2000 can be regarded as a watershed in the development of Taiwan business in Southeast Asia. Before 2000, *Tai-shang* invested the most in Indonesia with 855 projects worth of USD12.77 billion (Table 4). This was because Indonesia was rich of natural and human resources. Accordingly, factories set up by *Tai-shang* were mostly labor-intensive and resource-oriented industries such as pulp and paper, textile, and mining. For example, Taiwan helped establish industrial park in Batam Island in 1990. In 1996, Taiwan's leading SOE, China Petroleum, also invested in energy exploration and development, In 1997 and 1998, Taiwanese outbound investment in Indonesia reached USD3.4 billions and USD2.2 billions respectively (McBeath 1999: 121–122). As the Indonesian government continues encouraging foreign investment in local infrastructure and labor-intensive industries, it is still popular to Taiwan business during 2001–2014. *Tai-shang* continuously contributes 770 projects (No. 2) as USD3.9 billion (No. 3) in Indonesia (Table 5).

Table 4 Taiwanese investment in key ASEAN countries (1948–2000) (USD millions)

	Project/rank	Amount/rank
Cambodia	168 (**7**)	427.52 (**7**)
Indonesia	855 (**3**)	12,774.15 (**1**)
Malaysia	1786 (**1**)	9225.66 (**3**)
Singapore	316 (**6**)	1391 (**5**)
Thailand	1553 (**2**)	10,351 (**2**)
The Philippines	824 (**4**)	982.08 (**6**)
Vietnam	524 (**5**)	5202.48 (**4**)

Source: compiled by the authors with reference to BOI (Thailand), MIDA (Malaysia), NSCB (the Philippines), BKPM (Indonesia), MPI (Vietnam), CIB (Cambodia), and MOEA (Taiwan)

Table 5 Taiwanese investment in key ASEAN countries (2001–2014.6) (USD millions)

	Project/rank	Amount/rank
Cambodia	318 (**5**)	610.12 (**7**)
Indonesia	770 (**2**)	3910.79 (**3**)
Malaysia	644 (**4**)	2539.48 (**5**)
Singapore	206 (**7**)	9537.26 (**2**)
Thailand	648 (**3**)	3146.72 (**4**)
The Philippines	232 (**6**)	1124.2 (**6**)
Vietnam	2320 (**1**)	22,408.61 (**1**)

Source: compiled by the authors with reference to BOI (Thailand), MIDA (Malaysia), NSCB (the Philippines), BKPM (Indonesia), MPI (Vietnam), CIB (Cambodia), and MOEA (Taiwan)

In recent years, in addition to Foxconn's great interest in telecommunication sectors, *Tai-shang* has also paid more attention to Indonesian domestic market as this emerging economy is rising.

5.2 *Thailand*

Thailand was the second investment destination of *Tai-shang* before 2000. However, being suffered by Asian financial crisis, Taiwanese outbound investment in Thailand decreased in the late 1990s. Among 1553 projects in operation, *Tai-shang* had invested USD10.35 billion in Thailand. Cultural similarity and societal hospitality constitute two important factors for *Tai-shang* to invest in Thailand. Up to 2015, it is estimated that there are at least 5000 *Tai-shang* stationing in Thailand, some of them are operating by their second generation, conducting a more localized strategy (Interview 2015c). Taiwan business considered Thailand as the base for developing a variety of businesses ranging from basic iron and steel manufacturing to SMEs as human resources, chemistry, electronics, textile mills, food manufacturing, and service industries. New domestic needs concentrate on service industries which attract new type of *Tai-shang* to Thailand. During 2001–2014, Taiwan business launched 648 projects (No. 3) worth of USD3.1 billion (No. 4) in Thailand. While Myanmar is lifting domestic regulation to foreign investment, along with the rise of wage and political instability in Thailand, increasing number of Tai-shang considers to invest in Myanmar. Nevertheless, as Thailand enjoys various FTA with major economies in Asia-Pacific and beyond, the overall investment environment it is still attractive and favored by Taiwan business.

5.3 *Malaysia*

Tai-shang had invested the most projects in number in Malaysia (1786 projects as USD9.22 billion), making Malaysia as the third investment destination in Southeast Asia before 2000. Well-developed infrastructure and clearly defined regulations for foreign investment were advantages of Malaysia. In addition, the *Tai-shang* were attracted by abundant natural resources and a stable political situation in Malaysia. Therefore, increasing investments were contributing to machinery and equipment manufacturing, electronic parts and components manufacturing, textile mills, and banking and insurance since 1988. However, the lack of labor force in 1994 and the Asian financial crisis in 1997 diversified Taiwanese investments from Malaysia to Vietnam and China. The changing focus of Taiwanese investment in Malaysia also highlights a shift from textile mills and manufacturing sectors to financial service one. According to Taiwan's Ministry of Economic Affairs, more than 70 % of Taiwanese FDI are targeting at domestic financial service sector (Yeh and Huang 2015: 317). Currently, *Tai-shang* reinforces investments in service sector and catering industry as a result of the government policy on promoting service industries (Interview 2015a). From 2001 to 2014, Tai-shang contribute 644 projects (No. 4) as USD2.5 billion in Malaysia, with a specific focus on basic metal manufacturing.

5.4 Vietnam

Before 2000, Vietnam only attracted 524 investment projects (No. 4) with the amount of USD5.2 billion (No. 5) from Taiwan. Since the 1980s, Vietnamese government welcomed Taiwanese investment and its first economic and cultural office, known as informal embassy, was installed in Hanoi in 1992 (Leifer 2001: 181). With the continuous support of "Go South Policy," Vietnam became No. 1 investment destination for Taiwan business in Southeast Asia in the 2000s. During 2001–2014, there were 2320 projects (No. 1) and USD22 billion instilling in Vietnam. A variety of SMEs, such as wearing apparel and clothing accessories manufacturing, electronic parts and components manufacturing, furniture, tourism, as well as banking and financing, are stationing in Vietnam for decades. Up to 2015, Taiwan ranks as No.4 foreign investor in Vietnam. Tai-shang are mostly stationing in the South surrounding Ho Chi Minh city. After 513 accident happened in 2014, Vietnamese government scrutinized foreign investment regulation and policy, providing more business incentive and favors for locla *Tai-shang*. The purpose is to keep Taiwanese investment at localities. Other than SMEs, ICT industries, such as Formosa Ha Tinh Steel Corporation (FHS) also invests new plant at Vung Ang Economic Industrial Zone in Ha Tinh.

5.5 The Philippines

Taiwan business invested 824 projects as USD982 million in the Philippines before 2000, focusing on manufacturing, textile mills, electronic parts and components manufacturing, and computer, electronic, and optical products manufacturing. Recent trend shows increasing investment has been contributed in fabricated metal products manufacturing. In 2006, as Taiwan and the Philippines signed a memorandum of understanding (MOU) with regard to the construction of economic corridor by the Subic Bay Metropolitan Authority (SBMA) and the Clark Development Corp. (CDC) of the Philippines and the Export Processing Zone Administration of Taiwan (Go 2006), a wider range of industries had been invested in the bay area such as motor vehicles and parts manufacturing, electronic parts and components manufacturing, chemical material manufacturing, food processing, banking and insurance, and shipping industry. From 2001 to 2014, Tai-shang has contributed 232 projects (No. 6) worth of USD1.1 billion in the Philippines.

5.6 Singapore

Singapore is of strategic interest to *Tai-shang* in terms of geo-economic consideration and skilled labor. In terms of geography, Singapore is acting as a Asia-Pacific financial and economic center, attracting various headquarters of multinational corporations to station in. Taiwanese companies such as China Airline and Eva Air, for example, consider Singapore as their regional hubs. With regard to skilled labor, Taiwan's leading semiconductor foundries, TSMC and UMC, had established plants in Singapore. Before 2000, there were 316 projects as USD1.3 billion invested by Taiwan business in Singapore, including manufacturing, electronic parts and components manufacturing, and banking and insurance. In recent years, domestic banks in Taiwan also set up branches in Singapore, such as the Bank of Taiwan, First Bank, CTBC Bank, Mega Bank, E. Sun Bank and etc. During 2001–2014, Singapore attracted 206 investment projects (No. 7) from Taiwan with the amount of USD9.5 billion (No. 2). The signing of ASTEP in 2013 further enhances Taiwan-Singapore economic and trade cooperation. ASTEP has been regarded as a cornerstone for Taiwan's forthcoming engaging in the Trans-Pacific Partnership (TPP) led by the United States and the Regional Comprehensive Economic Partnership (RCEP) led by ASEAN.

5.7 Cambodia

Taiwan had 168 investment projects worth of USD427 million in Cambodia before 2000. These projects specifically focused on textile products manufacturing and shoemaking industry. During 2001–2014, 318 projects (No. 5) as USD610 million (No. 7) were invested by Taiwan business. A special initiative is the Manhattan Special Economic Zone (MSEZ) located at the borderland between Cambodia and Vietnam. MSEZ was the first special economic zone in Cambodia, initiated and operated by *Tai-shang*, the Manhattan International Co., Ltd. (MIC). More than 50 % of enterprises in MSEZ are from Taiwan, including SHEICO, Towa, and Kingmaker Footwear. In addition to the development of special economic zone, real estate has recently been of specific interest of local *Tai-shang* competing with China, Korea, and Japan, as the Cambodian government is promoting urbanization and market liberalization in Phnom Penh (Interview 2012).

5.8 Myanmar

Due to political constraints and the Burmese government's "One China Policy," Taiwan business was not allowed to invest in Myanmar. Most of *Tai-shang*, therefore, were from Cambodia and Vietnam to invest in manufacturing, agriculture, shoemaking, banking and financing, and joint venture in industrial park (Interview 2013). However, Taiwanese government began to promote investment in Myanmar since 2012, regarding Myanmar as a new frontier of *Tai-shang*. In 2013, the DICA of Myanmar government has approved the investment status of Taiwan business. Accordingly, an overseas office of the Taiwan External Trade Development Council has been installed in Yangon for the purpose of promoting FDI in the country. A recent project has been developed by the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), with specific focus on the proposal of building an industrial park in Southern Myanmar. Although Myanmar has been regarded as a rising economy and emerging market, its domestical political instability, the poor quality of infrastructure, and its closer relationship with China are the main concerns hindering Taiwanese investment. Up to 2015, Taiwan business such as Taiwan Hon Chuan Group, Pou Chen Group, and Asia Optical kick off the investment project and new producion line. In order to attract more Taiwanese foreign investment, Myanmar Trade Office has been installed in Taipei in June 2015.

6 Conclusion: *Tai-Shang*'s Contributions and Challenges

As one of the earliest foreign investors in Southeast Asia, Taiwan business has at least made five contributions to Southeast Asian countries and to Taiwan as well. First, in terms of economic growth, the investment from *Tai-shang* has helped increase GDP of many host countries. For example, the contribution of FDI to Vietnam's GDP increased from 2.1 % in 1989 to 18.7 % in 2008. Moreover, the contribution of Taiwan business in developing countries in Southeast Asia also met the strategic goal of narrowing the developmental gap among ASEAN states.

Second, in terms of regional production network, the active presence of *Tai-shang* in Southeast Asia has facilitated the global–regional–local nexus of production chain, especially in textiles, ICT, and electronics manufacturing.

Third, the increasing volume of Taiwanese investments also promoted bilateral trade between Taiwan and Southeast Asian countries. More open international markets have been favorable for both Taiwan and its Southeast Asian counterparts. The even closer economic ties between Taiwan and Southeast Asia facilitated by *Tai-shang* would definitely contribute to Taiwan's further engagement in regional grouping and trade integration despite of its political predicament set by China.

Fourth, in terms of labor market, ten thousands of *Tai-shang* stationing physically in Southeast Asia are mostly SMEs. They have been providing millions of job opportunities for local people, training them become skilled labors.

Most importantly, *Tai-shang* has facilitated political interconnectedness between Taiwan and Southeast Asia. The economic corridor between Taiwan and the Philippines and the Taiwan Industrial Park in Hanoi are showcasing positive relationships between Taiwan and Southeast Asian governments. Economic projects are maneuvered as the only means of engaging ASEAN under the political constraint of "One China Policy" partially upheld by China.

During the past decades, structural changes in Southeast Asia brought new challenges to Taiwan business, such as Asian financial crisis, anti-Chinese movements, underdeveloped infrastructure at localities, rising environmental concerns, and the difficult labor management issues. These setbacks once discouraged Taiwanese investors to engage in Southeast Asia. However, as ASEAN Community is in the making and the domestic legalization of employment contract law in China has been implemented, quite a number of *Tai-shang* have begun either to shift their branches to Southeast Asia or even moved to Southeast Asian countries all together.

Meanwhile, as Southeast Asia is of importance politically and economically, new challenges faced by *Tai-shang* are also the challenges to Taiwan. First, a more sophisticated investment arrangement should be taken into account in line with ASEAN economic integration and its regional trade agreement (RTA) initiatives. It is imperative for the new generation of *Tai-shang* to incorporate the benefits of AEC into its roadmap of internationalization.

Second, an enhanced public–private partnership (PPP) between the Taiwanese government and Taiwan business should be practiced in implementing "Go South Policy." The lack of cross-sectorial coordination mechanism as the setback for *Tai-shang* should also be avoided. In September 2015, as the DPP Chairperson Tsai Ing-wen announces her "New Go South Policy" (新南向政策), it has been regarded as a multi-faceted impetus to Taiwan's further regionalization and globalization. Also, the emerging policy initiatives and discourses showcase Taiwan's concerns for being a part of regional grouping. New elements will be added based upon an enhanced PPP to further integrate Taiwan into Southeast Asian localities where *Tai-shang* will be the key intermediators to facilitate Taiwan's integration into the region.

Third, a higher standard of investment should be considered. The rise of environmental concerns and social justice for labor rights have long been ignored in *Tai-shang* in Southeast Asia. It is necessary for *Tai-shang* to respond and adapt to new standard and regulations of host societies.

Fourth, industrial upgradation is inevitable. Taiwan's long-term benefits gained from OEM and ODM in global production network have been undermined due to its shirking interest. Facing this challenge, Taiwan business should emphasize its Taiwanese branding and localize in ASEAN market.

Finally, moving from *Tai-shang* 1.0 toward *Tai-shang* 2.0 needs more strategic alliance and international collaboration. As proposed by Japanese and Korean enterprises and their governments in Southeast Asia, a new generation of *Tai-shang* should seek for long-term cooperations with other foreign investors so as to consolidate the production network and to work closely to improve investment environment of host countries.

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India and China: "Awakening Giants" Towards a Win–Win Future?

Manjira Dasgupta

> . . . "Two of the oldest and still extant civilizations, (India and China were), for Europeans, legendary seats of immense wealth and wisdom right up to the eighteenth century. . . . Somewhere between the mid-eighteenth century and early nineteenth centuries, both these countries became, in the European eyes, bywords for stagnant, archaic, weak nations . . . . By 1960s . . . they were independent republics supposedly launched on their path of development, but both suffered devastating famines. . . . . These two countries were "basket cases" in the then fashionable terms of international diplomacy".
> . . . "Within the following forty years we are discussing China and India not as failures nor for their ancient wisdoms, but as dynamic modern economies. The Economist has to write editorials to tell the world not to be afraid of China's economic power. American legislators pass laws to prevent their businesses outsourcing work to India's software and telecommunication services. China ranks as the second largest economy in terms of GDP in PPP dollars. Together the two countries account for 19.2 % of world GDP—China 11.5 % and India 7.7 %".
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> —Lord Meghnad Desai (2003)

> . . . "China and India have now become poster children for market reform and globalization in parts of the financial press, even though in matters of economic policy toward privatisation, property rights, and deregulation and lingering bureaucratic rigidities both countries have demonstrably departed from the economic orthodoxy in many ways. This has not escaped the attention of the Heritage Foundation . . . . . . both are relegated to the group described as "mostly unfree" . . . Of course, not many have pointed out that the economic (particularly growth) performance of these two "mostly unfree" countries in terms of economic freedom seem to have been much better than that of most others".
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> —Pranab Bardhan (2014, pp. 7–8)

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