

## Reliance on China restricts economy

Written by Du Yu 杜宇

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While commenting on the gas pipeline explosions in Greater Kaohsiung, on July 31 and Aug. 1, President Ma Ying-jeou (馬英九) once again spoke of the importance of urgent approval of the cross-strait service trade agreement, the planned free economic pilot zones and other related policies.

However, he remains unwilling to respond directly to the many questions that people have regarding these proposals. He even labels such questions as examples of the kind of political wrangling that reduces the space for dialogue.

If Ma sticks to this mindset and seeks to railroad his government's policies through the legislature, there will be a heavy price to pay that will cast a shadow over the nation's development. Government leaders should think carefully about how to proceed.

Taiwan has long seen South Korea as an economic rival and is keen not to lag behind it. However, South Korea's economic performance over the past few years has been very impressive, signing free-trade agreements with various countries and reaping the benefits. It has signed 11 free-trade agreements involving 47 countries, with its total trade last year reaching almost US\$400 billion.

South Korea has surged so far ahead of Taiwan that it has long since stopped viewing the nation as a competitor.

Total trade between South Korea and China last year reached US\$274.25 billion, and its accumulated investment in China reached US\$57.8 billion.

However, South Korea's business and trade strategy is not limited to the Chinese market.

Seoul's commitment to business and trade with the US, the EU, Japan and other countries has allowed South Korea to avoid becoming excessively reliant on the Chinese market. It has achieved Ma's professed aims of reducing the risks involved in dealing with China and

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providing itself with greater opportunities.

In contrast, over the past few years, the Ma administration's economic development strategy has been almost entirely focused on the Chinese market. The nation's reliance on China keeps growing and is fast approaching the danger zone. The government has made relatively little effort to develop other overseas markets or improve the domestic economic and investment environment with regard to land, environmental protection, finance, laws and regulations, and preferential treatment.

As a result, there has been a massive reduction in large foreign capital investment in Taiwan. This is true of both the number of investors and the size of their investments. The resulting lack of economic vitality makes it hard to generate job opportunities.

Former vice president Vincent Siew (宋楚瑜) has also advocated cutting political risk by gradually reducing the share of cross-strait trade in Taiwan's total trade. However, in practice, the opposite has been happening. The nation has been investing huge sums of money in China that have been accompanied by a flow of resources such as technology, talent and marketing networks.

Beijing has encouraged this trend and up to the end of February this year, China had taken advantage of US\$59.59 billion in investment from Taiwan.

This input has been of great assistance to China's economic development, which is gradually becoming a threat to the competitiveness of Taiwan-based industry.

As well as contributing to the hollowing out of Taiwanese industry, Ma's administration is missing the opportunity to help industrial enterprises transform and upgrade.

Excessive reliance on China is the primary reason for the nation's economic difficulties.

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Total cross-strait trade for last year came to US\$197.281 billion. Taiwan's exports to China grew by 16.7 percent last year, while its exports to the US, Japan and Europe shrank by 1.5 percent, 0.3 percent and 3.8 percent respectively. This trend is causing the nation to lose control over its own economy.

Young Taiwanese are worried about their future. Even former US secretary of state Hillary Rodham Clinton, speaking with Taiwanese media outlets, said that Taiwan's government should prioritize solving the problems with its domestic industrial investment environment and upgrading.

Comparison with South Korea shows that trying to reach out to the world via China is too costly and it is not the only option for the nation's economic development.

Taiwan needs to draw up a new strategy for its development regarding the global economy.

Worldwide trade liberalization has caused the US, China and Japan to become more interdependent in the economic sphere.

Total trade between the US and China reached US\$521 billion last year and accumulated two-way investment between the two countries exceeded US\$100 billion. Total trade between China and Japan last year reached US\$312.55 billion.

However, there are considerable risks in relation to military matters and rival claims to resources and territory. Consequently, the US, China and Japan are all starting to put a lot of effort into risk avoidance, so to defend themselves from falling under the control of other countries.

In view of Taiwan's future political and economic needs, it cannot afford to put all its eggs in one basket.

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While steadily promoting cross-strait relations on the one hand, it should at the same time also maintain healthy interactions with the US and Japan. That way, it can avoid losing control over its own affairs through excessive reliance on China and ending up in the difficult situation in which Hong Kong now finds itself.

It is not too late to act. Taiwanese have to hope that Ma will give prime consideration to public interest, rather than clinging obstinately to his present course.

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Translated by Julian Clegg

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