

The administration of President Ma Ying-jeou (馬英九) has denigrated itself once again by jumping on the Asian Infrastructure Investment Bank (AIIB) bandwagon. This has led to intense public concern.

Why does the Ma government lack meticulousness and why is it being so hasty to join the AIIB? The answer is simple: Ma's administration regards China as an economic outlet for Taiwan. This type of flawed thinking will lead the government's China policy increasingly down a road of no return, seriously damaging Taiwan's interests.

The Ma administration believes that joining the AIIB is supportive to Taiwan's attempts to gain business opportunities from China's "One Belt, One Road" project. However, many major countries have announced an interest in joining the AIIB, and they all have their reasons for doing so. After years of pro-China policies, the Ma administration inevitably feels it should obtain special privileges from the Chinese authorities.

However, someone needs to pour a bucket of cold water over the heads of the Ma administration and get them to wake up from their hot-headed pro-China policy. This bucket of cold water comes after nearly 30 years of cross-strait economic interaction, which initially gave Taiwanese businesses an advantage, but today has transformed into a relationship in which China has much more leverage and Taiwanese firms hold out their begging bowl to Beijing.

The same can be said about the relationship between the Ma administration and China. In reality, the reason Ma's China policy has failed can be attributed to two misconceptions. First, the pro-China stance has been treated as participation in the international community and integration with the global network. Taiwan's trade-based economy and relatively small domestic market are the reasons the nation must connect with overseas markets to grow its economy and participate with the international community.

Unfortunately, the Ma government is blinded by ideology and has shifted the focus of international participation toward integration with China to grasp emerging opportunities and avoid marginalization. This is a serious distortion. The truth is that Taiwan's participation in China's economy — be it in terms of investment, manpower, technology or trade — has always been excessive, which has resulted in a "periphery versus core" relationship and Taiwan's longstanding marginalization.

China restricts Taiwan's economy

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Second, whether in the domestic or the international market, China is already Taiwan's strongest competitor. China no longer needs Taiwanese investments. Beijing's main policy goals are to foster the growth of its local industry.

Over the past 20 or 30 years, Taiwanese businesspeople participated in China's economic development, forming two types of business: original equipment manufacturers (OEM) — which are focused on exports — and Taiwanese businesses building on the demand of the Chinese market. The first type gave extended life to many businesses that left Taiwan, primarily technology companies. The latter included a few outstanding companies that dominated particular markets in China.

However, the successes of these two types of businesses have only been beneficial to the individual business owners and their respective shareholders, and the repercussions for Taiwan have been economic stagnation.

Even worse, the current fate of Taiwanese businesses in China is similar to previous events, in that after Taiwanese companies help others to become dominant, Taiwanese are cast aside as irrelevant or useless. Taiwanese OEMs face asymmetrical competition that includes the cancellation of tax incentives and increased salaries in China, while Chinese companies get policy and resource assistance from the government.

In particular, China promotes the technology industry — such as the semiconductor sector — in which they have not only injected capital funds, but also intervened more openly using state power to coerce well known foreign companies into joint ventures with local firms and even transfer patents, using anti-trust policies as an excuse. The semiconductor industry is the most important foundation to Taiwanese industry, but it is being overtaken by China. Taiwan's technology industry will soon hit a dead end.

In addition, as China puts resources into solar energy and other sectors such as LEDs, not only will it create excess production and cause prices to collapse, but Taiwanese companies will also be sacrificed as a result of anti-dumping penalties in other countries.

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The same scenario is playing out in industries focused on domestic markets. Once Chinese firms establish economies of scale, even Taiwanese firms that gained early opportunities and grabbed a large market share will be unable to stand up to strong competition from the newer Chinese companies.

The scary thing is that these economic changes mirror the changes of the political situation in the Taiwan Strait. With regard to the AIIB, former vice president Vincent Siew (許信良) received a cool reception from Chinese President Xi Jinping (習近平) when he expressed Taiwan's willingness to join the bank at the Boao Forum for Asia in the southern Chinese province of Hainan, essentially reducing the meeting to a handshaking ceremony.

However, China's Taiwan Affairs Office has accepted Taiwan's application, with the Chinese media highly critical of the matter, repeatedly making it clear that once Taiwan has lost its independent economic position and political power will in turn be hijacked.

The Ma administration must understand one thing: China is now Taiwan's economic competitor, not its partner. Yet Taiwanese business operations in China, regardless of whether they are a manufacturing base or a market, have all run into trouble, gradually losing competitiveness and market advantage. China does more harm than good to Taiwan's economy.

Thus, joining the AIIB is not a fundamentally important issue for the nation. Taiwan's most urgent goal is still to fend off China's restrictions, to actively develop international markets, join the US-led Trans-Pacific Partnership (TPP) and open up to the rest of the world. This is the only road to sustainability for Taiwan.

Translated by Zane Kheir

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