

China loses if it cuts ‘three links’

Written by Lin Shiou-jeng 林錫山

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On Tuesday, a headline in the Chinese-language Liberty Times (the Taipei Times’ sister newspaper) stated that China might “cut the three links” between Taiwan and China, while Taiwanese officials urged the public not to panic. It is clear that Beijing is increasing the pressure on Taipei following the phone call between President Tsai Ing-wen (蔡英文) and US president-elect Donald Trump last month. However, doing that could end up hurting Beijing more than Taipei.

China’s threat to cut the “three links” mainly refers to direct trade and transportation links between the two sides of the Taiwan Strait, as the issue of direct postal links has been rendered mostly irrelevant as times have changed. Today, more than 2 million Taiwanese frequently travel to China. Taiwan also invests more in China than it does in any other nation, and its trade dependence on China is in excess of 30 percent. Cutting direct trade and transportation links could cut the supply chains for some Taiwanese businesses, which would have a big impact on Taiwan. Faced with this situation, Taiwan will need time to adjust. Affected Taiwanese companies that have suppliers in other nations might still be able to meet demand, but they would have to adjust prices.

Many international companies are gradually moving their production bases from China — where labor costs and disputes are growing — and relocating to other nations, such as India and Vietnam. Taiwanese businesspeople are known for their speed in adapting to change and are likely to have made preparations. Despite the short-term impact of cutting the “three links,” it is unlikely to be a big deal in the long term. Such a move would also speed up Taiwan’s move toward economic independence.

Tsai certainly does not want to see China increasing its pressure on Taiwan’s trade and economy so soon, because it would harm her administration’s performance. However, reducing Taiwan’s dependence on China is part of her policy direction. Moreover, while cutting the “three links” would be disadvantageous to Taiwan in the short term, it would have a positive impact in the long run. Since Taiwan is an important part of the US and Japan’s new East Asia policy, the economic crisis that could result from increased Chinese pressure could prompt Washington and Tokyo to offer a hand to help Taiwan overcome its difficulties. The current direction would help Taiwan retake its place in the international business chain between the US, Japan and Taiwan.

A look at Taiwan’s economic development over the past decades shows that it has sped up when the nation moved closer to the US and Japan, and slowed when it has moved closer to

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China. As China is putting pressure on Taiwan by threatening to cut the “three links,” Tsai should continue to insist on her pro-US and Japan policy, because this is the direction the country must take to promote long-term development.

If China does cut the “three links,” Taiwanese enterprises and capital will move back to Taiwan. With US and Japanese assistance on advanced technologies and international marketing, incomes and employment in Taiwan would increase and industrial upgrade would speed up. The Tsai administration would then be able to accomplish its main business and administrative goals sooner rather than later.

Cutting the “three links” would not hurt Taiwan more than it does China’s economy and international credibility. How would other nations and enterprises see their Chinese business investments and supply chains? They would surely be on the alert and likely change their business deployments there, which would have a big, negative impact on China.

Moreover, Trump is trying to bring US investments back to the country to revitalize the US’ manufacturing industry; so from his perspective, Beijing’s irrational behavior would be in line with his goals.

Chinese leader Mao Zedong (毛澤東) once said: “All problems are political problems.” The Chinese move echoes the next sentence of Mao’s statement: “Politics cannot solve all problems.”

Lin Shiou-jeng is an associate professor at Chung Chou University of Science and Technology’s Department of Marketing and Logistics Management.

Translated by Eddy Chang

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