# Taiwan’s economy on the upswing

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With only two months remaining before next year’s presidential election, more negative views of Taiwan’s economic growth and social development are coming from the Chinese Nationalist Party (KMT), even though Taiwanese stocks have continued rising, exceeding 11,500 points last week, and the nation’s GDP growth has been surpassing expectations and may outpace regional trade rivals this year.

Taiwan’s economic development is moving in the right direction, as the US-China trade dispute has been a wake-up call, and the Democratic Progressive Party (DPP) government has responded with efforts to entice companies away from China to invest in Taiwan.

Previous governments have tried to entice Taiwanese companies to return home, but to no avail. However, the latest government moves have sparked the biggest-ever wave of fund repatriations. As of Nov. 1, the capital repatriation drive had attracted 47 firms and individuals to apply to bring home NT$21.38 billion (US$703 million) in overseas funds since a repatriation bill took effect on Aug. 15, the Ministry of Finance’s data showed. As of Thursday, 152 companies had committed to investing a combined NT$627 billion under the government’s “Invest Taiwan” campaign, the Ministry of Economic Affairs said.

The additional homecoming investment, coupled with fund inflows, could propel all investment from abroad to a new high this year, surpassing the previous record of US$15.4 billion set in 2007.

The UN Conference on Trade and Development in a report last week identified Taiwan as the biggest beneficiary of the US-China trade dispute, and Bloomberg reported that Taiwan’s surprisingly strong year is showing no signs of slowing down.

Many recall that when the DPP first came to power in 2000, it did not stop Taiwanese businesspeople from moving to China. Instead, then-president Chen Shui-bian’s (□□□) administration replaced the “no haste, be patient” policy promoted by his predecessor Lee Teng-hui (□□□) with an “active opening and effective management” policy toward China, which lifted more bans on China-bound investment.

The result was the hollowing out of the industrial sector, as manufacturers moved their production base to China due to the magnetic effect of cheap labor.

From an economic perspective, enterprises aim to maximize profits by pursuing a global layout strategy, as globalization is an unavoidable trend, but problems arise when operations leave and no other engine of growth emerges. This inevitably puts pressure on domestic employment and stagnates wages.

That was what happened to Taiwan over the past two decades. Today, there are major changes in the global economic and trade structure, including China’s efforts to control the global manufacturing supply chain and the US-China trade dispute.

China losing its allure as a cost-effective production base is a wake-up call for Taiwanese manufacturers. The US-China trade tensions have made it even more important for Taiwanese businesses to reconsider their operations in China.

It is against this backdrop that President Tsai Ing-wen’s (□□□) New Southbound Policy and Invest Taiwan campaign have achieved initial results.

It is still unclear if Taiwan’s economic structure and development can be completely transformed this time, as ample room for improvement remains, considering the still-limited growth in employee wages, as well as the preliminary results of industrial upgrading and diversification.

However, what is important is that this is the correct direction for Taiwan’s economy. Policymakers need to continue working on how to develop high-value-added industries in both manufacturing and service-oriented sectors, while enterprises make an effort to move away from the cycle of low-price competition.

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