TAIWAN

By a Special Contributor

Among the Asean countries, Taiwan has suffered least from the impact of the Iraq war. The country performed well on the economic front, its industrial production and exports in January 2003 surpassing all expectations. China was emerging as a major export destination, and shipments to the mainland were growing at a year-on-year rate of 100%. However, it only seems a matter of time before expensive oil and petro products hamstring economic growth. With oil becoming almost twice as costly as in January 2002, the prosperity may not last long.

Taiwan's Kaohsiung port was proposing to cut rates to maintain competitiveness in view of the fierce competition from the world's leading container ports. Shanghai has already displaced the Taiwanese port from the position of being the world's fourth-largest container port. The fall in Kaohsiung's container handling is the result of Taiwan's five-decade old ban on sea links with China, which compels ships to stop at a third point, usually Hong Kong, when crossing the Taiwan strait.

Under the capitalist credo, Taiwan's development was fast, its economy growing at a rate of 6.5% for several years. Its prosperity was based on small and medium-sized industries, unlike South Korea, where giant conglomerates brought about growth. Taiwan soon became a leader in IT industries and semi-conductor production. When China liberalised its economy some years ago, substantial Taiwanese capital and enterprise migrated to China (although Taiwan bans direct investments there) and so many production facilities moved to China. Taiwan as a capital surplus country had major investments in Asia and its membership of the World Trade Organisation gave it a major role in export trade.

Over the years, Taiwan became a major repository of gold by using its large trade surpluses to import gold. The country has four gold-bearing deposits with metal content estimated at 100 t. Three of the deposits are concentrated in the central mountain range, while the fourth one is Pingfeng Mountain in the north.

The island nation has substantial reserves of coal estimated at 180 Mt, but coal output has been small, amounting to 500,000 t/y. Annual imports of coal were of the order of 15 Mt, the main source being South Africa. The requirements of the domestic steel industry are growing with the expansion of production capacity. The state-owned China Steel Corp. raised its capacity a few years ago from 5.6 Mt/y to 8 Mt/y. A large integrated steel plant with a capacity of 7 Mt/y is operational at Taichung in central Taiwan. The An Feng and Yieh Loong groups had plans to establish steel plants with capacities of 4 Mt/y and 6 Mt/y respectively. These would call for sizeable increases in imports of metallurgical coal.

Taiwan has large reserves of natural gas, estimated at 19,500 Mm^3. The daily requirement of gas is around 4.5 Mm^3, more than 50% of which used to be imported but is now met from domestic production. Chinese Petroleum Corp., till a few years ago a public-sector monopoly, was privatised with over 50% of the company's shares going to private investors.