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trade status when



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Taiwan, an island, is separated from the mainland of South China by the 100-mile-wide Taiwan Strait in the Pacific Ocean and is the seat of the Republic of China government (ROC). The capital of Taiwan is Taipei and other major cities include Kaohsiung, Tainan, Taichong, and Chilung. The languages spoken are the Mandarin, Fujianese (Amoy), and Hakka dialects.

Religions on the island include Confucianism, Taoism, Buddhism, and Christianity. THE ECONOMY OF TAIWAN The 1990s have been a time of change and achievement for Taiwan. Politically, Taiwan has undergone a dramatic transition from an authoritarian government to a true democracy and on the economic front, Taiwan has continued to prosper. For the past 20 years, Taiwan has had one of the fastest growing and most dynamic economies in the world. With over \$80 billion US in foreign capital reserves, an average growth rate of 7.

8 percent between 1986 and 1996, and a per capita gross domestic product (GDP) of \$15,000, Taiwan has become a powerhouse in the global economy.

1 Its remarkable success comes after five decades of hard work and sound economic management that have transformed Taiwan from an underdeveloped agricultural island to a leading producer of high-technology goods. Helping to spur this extraordinary growth during the last two decades were supportive U. S. policies that began with the 1979 Taiwan Relations Act (TRA). It maintained Taiwan's preferential trade status when formal diplomatic relations were severed in favor of the Peoples Republic of China (PRC). In 1979, Taiwan's economy was rapidly expanding and was beginning to fully integrate into the new global economy. It exported \$5.

6 billion to the United States and had \$7 billion in foreign exchange reserves. Taiwan produced a variety of products, specializing in textiles, consumer goods, and petrochemicals. U. S. corporations were beginning to invest heavily in Taiwan when the U. S. government severed the official diplomatic relations it had maintained with the Republic of China for three decades.

This abrupt loss of recognition created consternation among foreign investors and Taiwan's trading partners. International contracts, which had once been secure through treaties and formal diplomatic ties, suddenly came into question. The Taiwan Relations Act, however, calmed the fears of investors by creating a framework that allowed trade and finance to continue unhindered. The TRA sent the clear message that the U. S. intended to maintain a close relationship with Taiwan and encouraged business ties with the island. Specifically, the act mandated that all treaties and agreements remain in effect, ensuring that contracts could still be enforced. In addition, it authorized funding for Taiwan from the Overseas Private Investment Corporation (OPIC), which provides insurance, loans and guarantees to businesses investing abroad.

Thanks in large measure to OPIC's continued programs, trade and investment tripled over the next decade between the U. S. and the ROC, helping to maintain Taiwan's economic boom. In the 1980s, Taiwan's economy shifted dramatically toward sophisticated, capital and technology-intensive products for export and toward developing the service sector.

A generation ago, farming accounted for 30 percent of GDP and basic manufacturing represented half of the economy. Today, farming comprises only 3.3 percent of GDP while services are almost two-thirds of GDP.

Taiwan now boasts one of the fastest growing high-tech sectors in the world and has been called "Silicon East" by Forbes Magazine. Today, Taiwan is the fourth-largest maker of computer chips, producing 69 percent of the world's scanners and over half of the world's computer monitors. Through the 1990s, Taiwan's economic growth rate ranked ninth in the world according to the World Bank, and for the last decade, Taiwan posted an average growth rate of 6.2 percent each year compared with the average growth rate worldwide of just 2.4 percent. During that period, the U.

S. achieved growth of 3.1 percent per year, while Japan grew by only 1.2 percent, as it experienced its worst recession since World War II. Inflation, too, has largely been tamed; World Bank statistics show that Taiwan's average annual inflation rate in the first nine years of the last decade stood at just 3.2 percent, and this figure has declined since. Throughout the Asian Economic Crisis, which began in late 1997, Taiwan's economy showed great resilience.

Nothing, it seemed, could derail Taiwan's powerful economy. When the Asian economic crisis was at its worst, Taiwan posted annual GDP growth of 4.83 percent, while most of its Asian neighbors plunged into recession. Western press reports painted a glowing picture of the island's economic strength. The Economist noted that "one of Asia's so-called Tigers . . .

. has fared better than the rest. While Korea and Southeast Asia are struggling,