

Taiwan's biggest company, Formosa Plastics, produces industrial plastics, acrylic fibres, rayon, nylon and textiles. The controlling Wang family wanted to ensure that their operations had an uninterrupted flow of processed raw materials from a stable part of the world. Formosa Plastics and Nan Ya Plastics have jointly set up Rexworth Trust Co. in Canada.

R&D Agreements

Few, if any, companies have the expertise or resources to pursue all the research leads that they would like. One way to stretch resources is through cooperative R&D agreements. Such agreements are not limited to large corporations. Much valuable R&D is performed by small companies that have the flexibility and innovative capacity required to stay at the leading edge of their fields. Many such companies form partnerships with larger corporations which provide financing, technological support, global marketing, and distribution networks. The large corporation can also serve as the "anchor" customer for the smaller company's products, reducing the risk the latter faces in performing innovative R&D. In return, the larger partner is relieved of many of the complexities associated with innovative R&D. It can reap significant financial rewards from its investment in the smaller firm if the innovation proves successful in the marketplace.

Joint ventures

This investment technique first became fashionable during the 1960s when American companies encountered problems penetrating the Japanese market. The use of joint ventures became widespread in the increasingly competitive markets of the early 1980s. Joint ventures demand a massive commitment, since the partners cooperate in order to form and finance an entirely new company. In the classic joint venture, each side owns half of

the new venture, but there are as many ownership variations as there are purposes behind joint venturing.

For a joint venture to make sense, each partner needs to bring to the table something that the other does not have. In the case of the joint ventures developed between Japanese and North American companies in the 1960s, the North American partners normally contributed products while the Japanese partners ensured entry into the complex Japanese distribution system.

Far Eastern Textile Ltd., Union Chemical Corporation of Taiwan, and Mitsui & Co. of Japan will jointly share half of a new Union Carbide plant to be built at Prentiss, Alberta. The plant is being built in anticipation of increasing demand for polyester in the Asia-Pacific region. By entering into a joint venture with Union Carbide, the three Asian partners will ensure themselves of adequate suppliers.