

# Strategy for Promoting Investment and Strategic Alliances with Taiwan

## Objectives

- To promote the Canadian economy as a safe investment destination for Taiwanese capital and Canada as a good location to expand Taiwanese business interests, especially to serve the US market under the NAFTA
- To encourage Canadian high technology companies to seek Taiwanese venture capital and partners for joint technology development and marketing in Taiwan and Southeast Asia
- To promote Canadian expertise in infrastructure development, particularly in the mass rapid transit, aviation and telecommunications sectors, including cooperative projects in third countries; and
- To promote Canadian education and corporate training services.

## Background

Taiwan's economy continues to grow rapidly through diversification, technology development and strategic offshore investment. Taiwan, because of its large reserves of foreign exchange (US\$92 billion at the end of 1995) continues to be a potentially important source of venture capital for high technology businesses and natural resources, and also a source of entrepreneurial immigration.

Modern Taiwan faces three challenges: managing its complex relations with the emerging superpower mainland China; consolidating democratic reforms and practices; and transforming a successful export-oriented manufacturing powerhouse into a high tech and value-added post-industrial economy.

Taiwan's economic miracle has turned a largely agrarian society into an industrial one in the space of one generation. Its population of 21.3 million has an annual per capita income of US\$14,000. Economic growth is facing a current slowdown to levels around 6.6% predicted for 1997, which, combined with higher land and labour costs, has led Taiwanese manufacturers to invest in low-wage destinations in Southeast Asia and mainland China. Investment in Southeast Asia is greater than on the mainland, but Taiwan is easily China's second largest investor; and two way trade exceeded \$ 24 billion in 1995.

While Canada has observed a one-China policy since 1970 and does not have diplomatic relations with Taiwan, extensive economic, trade and people-to-people contacts exist. With a view to advancing trade, investment and tourism links with Taiwan, the Canadian Trade Office in Taipei (CTOT) was opened in 1986 under the aegis of the Canadian Chamber of Commerce. Although Canada-Taiwan trade has grown steadily, reaching close to \$5 billion in 1995, making Taiwan Canada's eighth largest trading partner, Taiwan has a surplus of about \$600 million and maintains a number of barriers to our exports, particularly in food, fish and financial and legal services.

Canada's people-to-people links with Taiwan are growing, with substantial increases in tourism, education and immigration links. Visitor visas issued to Taiwanese grew 55 % in 1994, another 67 % in 1995 to reach over 100,000, and had already reached 100,000 by September 1996. Taiwanese tourists added over CDN \$ 130 million to the Canadian economy in 1995 and they spend on average more money per trip than tourists from any other nation except Japan. Over 25,000 Taiwanese immigrated to Canada over the past three years, investing in businesses and establishing a significant presence in several Canadian cities.

## The Student Linkage

Over 20,000 Taiwanese study abroad every year. In 1995, over 2,700 were accepted to study in Canada, an increase of 37 percent from 1994, and there are over 6,000 Taiwanese students currently studying in Canada. On average, they spend \$30,000 dollars each per year in Canada, injecting about \$180 million into the Canadian

***Taiwan continues to be a potentially important source of venture capital for high technology businesses and natural resources***