

It has been estimated that real outward bound FDI from Taiwan is five times the figures reported by the government. If so, then the Taiwanese may have invested approximately \$5.3 billion abroad in 1989. The pace of FDI seems to have quickened in 1990, and according to one estimate, it may have reached \$14 billion in 1990.

Destinations of Taiwanese FDI

Though official statistics of Taiwanese FDI do not cover all investments made abroad, they are a useful indicator of the main directions of investment activity.

According to official figures for the period between January and July of 1990, the most popular region for overseas investment was Southeast Asia, which accounted for about 39% of the total. Within this region, low-wage countries, the Philippines, Malaysia, Indonesia and Thailand, were the most significant destinations. In terms of individual countries, the United States absorbed the largest share of Taiwanese FDI about 30% much of it placed in California, which has a large Chinese community. And various countries in Europe took about 22% of the total. It should be added that significant Taiwanese investments have also been made unofficially in mainland China.

Motives

Taiwanese FDI is flowing into a wide variety of sectors including food, textiles, leisure products, electronics, transportation, cement and construction, chemicals, hotels, banks, and brand name consumer products. Taiwanese companies are using overseas investments to enhance their competitiveness and to:

- acquire new technologies;
- penetrate markets;
- set up international marketing networks;
- secure access to natural resources;
- establish business in politically stable regions;

- take advantage of the appreciation of Taiwanese currency;
- take advantage of low labour costs to reduce production costs.

Taiwan's labour-intensive industries, textiles, shoes, toys, and consumer electronics, are particularly interested in moving into Southeast Asia in order to reduce labour costs. For similar reasons, Taiwan is hoping to benefit from the relaxation of restrictions on trade with mainland China.

Players

Initially the largest Taiwanese corporations dominated outward investment. Increasingly, however, as Taiwan's economic difficulties increase, small- and medium-sized enterprises in labour-intensive industries are becoming the major source of outbound investment. Joint ventures are particularly attractive for these smaller companies, since local partners can orient them and provide them with market intelligence and expertise.

Taiwanese Investment in Canada

Canada has not yet emerged as a significant destination for Taiwanese foreign direct investment. Canada and Canadian companies remain little known to Taiwanese business people and consumers. By contrast, both U.S. products and U.S. companies are well regarded and this visibility is compounded by a concerted Taiwanese effort to "Buy American" in order to reduce Taiwan's trade surpluses with the United States. Taiwanese are very loyal to a product once they accept it and U.S. products have developed an advantage in the marketplace.

There are no formal diplomatic relations between Canada and Taiwan. Even so, Canada has developed substantial ongoing trade relations with Taiwan that can eventually lead to more investment-oriented transactions. The Canadian Chamber of Commerce operates a Canadian Trade